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CRITERIA FOR EVALUATING UNITED STATES
MARINE CORPS INSTALLATION
STRATEGIC MANAGEMENT

by

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Post Cold War cuts have left the defense budget at its lowest levels since the late 1970s. Further complicating this problem has been the fact that the cuts have come from the defense tooth. The Department of Defense cannot continue to do business as usual. These budget realities and recent Government reform initiatives require a Government that costs less and works better. In early 1999, the United States Marine Corps began to implement activity-based cost and activity-based management initiatives at all Marine Corps installations. The Corps has been successful in identifying areas for cost savings. However, these efforts are limited without an overall strategic framework. A system is needed to evaluate overall strategic management of Marine Corps installations. This thesis discusses performance measurement and strategic management concepts and examines performance management systems. The thesis proposes an evaluation system based largely on the Malcolm Baldrige National Quality Award. The proposed system attempts to balance leadership, strategic planning, customer and human resource focuses, information management, process management and business result outcomes. The proposed system provides installations a tool for self-assessment, a means of furthering organization learning and growth, and a system that can be used Marine Corps-wide to evaluate installation strategic management.

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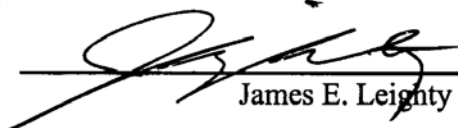Major, United States Marine Corps
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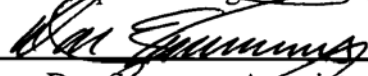
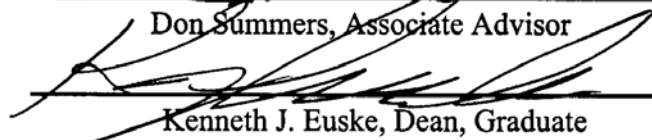## NAVAL POSTGRADUATE SCHOOL
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ABSTRACT

   Post-Cold War cuts have left the defense budget at its lowest levels since the late 1970s. Further complicating this problem has been the fact that the cuts have come from the defense tooth. The Department of Defense cannot continue to do business as usual. These budget realities and recent Government reform initiatives require a Government that costs less and works better. In early 1999, the United States Marine Corps began to implement activity-based cost and activity-based management initiatives at all Marine Corps installations. The Corps has been successful in identifying areas for cost savings. However, these efforts are limited without an overall strategic framework. A system is needed to evaluate overall strategic management of Marine Corps installations. This thesis discusses performance measurement and strategic management concepts and examines performance management systems. The thesis proposes an evaluation system based largely on the Malcolm Baldrige National Quality Award. The proposed system attempts to balance leadership, strategic planning, customer and human resource focuses, information management, process management and business result outcomes. The proposed system provides installations a tool for self-assessment, a means of furthering organization learning and growth, and a system that can be used Marine Corps-wide to evaluate installation strategic management.

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ACKNOWLEDGMENT

I. INTRODUCTION

The Department of Defense must transform its business processes and infrastructure to both enhance the capabilities and creativity of its employees and free up resources to support warfighting and the transformation of military capabilities. (QDR Report, p. 51)

A.   PURPOSE

The purpose of this thesis is to examine methods for measuring success of United States Marine Corps installations. The goal of the thesis is to recommend a performance measurement model to evaluate the effectiveness and efficiency of strategic management of Marine Corps installations.

B.   BACKGROUND

Budget realities and recent Government reform initiatives have required a Government that costs less and works better. Government reform initiatives include the National Performance Review (since renamed National Partnership for Reinventing Government), Government Performance and Results Act (GPRA), and the Defense Reform Initiative. GPRA requires every federal agency to set goals, measure performance, and report on their accomplishments. No longer is performance-based government an option. It is law.

Post Cold War defense budgets are at their lowest levels since the late 1970s and will continue to face decreases due to competing interests. Further exacerbating the problem is the fact that Post Cold War defense cuts came from the wrong areas. A Business Executives for National Security (BENS) study states that at the height of the Cold War, defense spending was balanced between security and support. Today, 70 percent of the defense budget goes to support functions (the "tail") while only 30 percent is spent on weapons systems, training and combat capabilities (the "tooth"). BENS also cites a GAO report that determined that 45 percent of active duty military personnel (approximately 660,000) are assigned to infrastructure activities. Cuts cannot continue to come from the "tooth." The "tail" must be cut in order to upgrade the combat capabilities

of our Armed Forces. BENS estimates that by adopting better business practices, the Department of Defense can conservatively save between $15 and $30 billion per year, a figure that exceeds the entire annual Marine Corps budget (approximately $13 billion). (BENS)

As evidenced by the September 2001 terrorist attacks, national security risks remain high and uncertain. The wars of the future will be unlike anything this nation has faced over the last century. These budget realities, mandated reforms, uncertainty of future risks, and the Marine Corps' high operational tempo and aging equipment require changes in the way the Marine Corps does business. The need to replace aging equipment has resulted in a shift of $634M over FY 00 – 07 from installation budgets into modernization accounts (the "wedge"). (Pellegrino, et al)

In early 1999, the Marine Corps began to implement activity-based cost and activity-based management (ABC/M) initiatives to comply with the mandated reforms and to find ways to fund the "wedge." Various USMC installations had undertaken ABC/M initiatives during the 1990s in an attempt to solve difficult business problems. Meetings between installation commanders and the Assistant Commandant in early 1999 resulted in ABC/M being embraced Corps-wide. ABC/M has been implemented at the sixteen major worldwide Marine Corps installations. These installations provide support similar to a city, including transportation, supply, security, facility maintenance, emergency services, training support, and shopping and recreation facilities. Initial results have been exceptional. The fiscal year 2000 "wedge" of $9M assigned to installations was nearly doubled in recoupment as base commanders achieved savings of almost $17M. (Pellegrino, et al)

While the initial ABC/M results far exceed the goal, additional work is required to ensure long-term success. The Marine Corps' Installation Reform Division is currently undertaking efforts to mature ABC/M models, establish benchmarks, best business practices, and improve usage of quantifiable performance and cost indicators to link strategic plans and objectives to program performance in the context of the planning, programming and budgeting process. In addition, a system is needed to evaluate overall

strategic management. The Marine Corps must demonstrate the national security value that its installations add and work to reduce or eliminate those activities that do not add value to national security. To this end, a set of criteria to evaluate the efficiency and effectiveness of Marine Corps installations is required. This thesis undertakes an effort to determine what criteria should be used to evaluate an installation's strategic management plan and compliance with established criteria. Through an analysis of current evaluation methods, review of pertinent literature and discussions with base business managers and personnel from the USMC Installation Reform Division (LR), a set of criteria to evaluate the success of installation strategic management will be proposed.

C. RESEARCH QUESTIONS

The primary research question is: What criteria should be used to evaluate efficiency and effectiveness of management of United States Marine Corps installations?

Secondary, supportive research questions are:

1. In the absence of competition, how are effectiveness and efficiency measured?
2. What non-financial as well as financial criteria should be used to measure strategic management?
3. How is successful management of a Marine Corps installation defined?
4. What should base commanders be required to accomplish and what should they be accountable for?
5. How should the strategy of a non-profit organization be measured?

D. SCOPE OF RESEARCH

This thesis includes a review of United States Marine Corps installation processes, promulgated guidance and current measurement methods. It will acquaint the reader with a basic understanding of GPRA, the Balanced Scorecard concept, the Baldrige National Quality Award criteria, and an overview of management control systems and strategic management theory. The thesis concludes by providing a recommendation for criteria to be used to evaluate management of Marine Corps

installations. It is assumed that the reader has a basic understanding of government structure as well as accounting, management and business terminology. Definitions of terms are provided as needed to ensure that the reader understands how certain terms are used in the context of this thesis.

E.   RESEARCH METHODOLOGY

The research methodology begins with a comprehensive review of literature related to strategic management, performance measurement, and management control systems. The literature review included (1) books, (2) professional journals and periodicals, (3) Department of Defense publications, (4) Congressional legislation, (5) Government and private Internet sources, and (6) USMC publications and website. Interviews were conducted with base business managers at three Southern California Marine Corps installations, and with Installation Reform Office staff. Department of Defense and Marine Corps specific management and performance measurement concepts were reviewed. Finally, a performance measurement system to evaluate Marine Corps installation management is recommended.

F.   ORGANIZATION OF STUDY

This thesis contains six chapters. Chapter I provides the background of the study, introduces the thesis subject and purpose, primary and secondary research questions, scope of the study and research methodology. Chapter II contains a discussion of pertinent information discovered during the literature review including the Malcolm Baldrige National Quality Award, the Balanced Scorecard, and strategic management and performance measurement concepts. Additionally, applications of strategic management and performance measurement concepts in non-profit organizations are explored. Chapter III examines the current macro environment facing the Marine Corps, including the National Security Strategy framework, Department of Defense long-term plans, Navy business vision and GPRA. Chapter IV discusses Marine Corps specific strategic and performance measurement concepts. Chapter V contains a proposed framework for

evaluating USMC installations. Lastly, Chapter VI contains the conclusions of the study and suggested topics for future study.

The management terms in this thesis are often used interchangeably or in differing manners. In an attempt to limit confusion, Appendix A provides definitions of commonly used management terms as applied in this thesis.

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II. LITERATURE REVIEW

To say that the fields of strategic business management and performance measurement are vast would be an understatement. This chapter provides an overview of basic strategic management and performance measurement concepts. Any discussion of performance measurement must first start with strategic management. Measurement without a plan is nothing more than mindlessly recording numbers. This chapter also briefly discusses the most common types of quality and measurement systems in use today, including the Balanced Scorecard, Baldrige Criteria, ISO 9000, and Six Sigma.

A.   STRATEGIC MANAGEMENT CONCEPTS

"I skate to where I think the puck will be." –Wayne Gretzky

1.   What is Strategy?

The term "strategy" has many different definitions and meanings. The word strategy comes from the Greek *strategia*, which means "generalship." In the military, it is defined as the "art and science of employing the armed forces of a nation to secure the objectives of national policy by the application of force or the threat of force" (Joint Publication 1-02, p. 276). Our national strategy is defined in the same publication as the "art and science of developing and using the political, economic, and psychological powers of a nation, together with its armed forces, during peace and war, to secure national objectives." (Joint Publication 1-02, p. 294) The Random House College Dictionary provides a more academic definition of strategy, "a plan, method, or series of maneuvers or stratagems for obtaining a specific goal or result."

While these definitions are different, they have similarities. The differences result from one's point of view. All three definitions share the commonality of a goal or objective and a means of reaching that goal. The definitions of business strategy and strategic management are very similar to the military definitions.

In the business world, Henry Mintzberg (1994) argues that people use strategy in four different ways, specifically: (1) strategy as a plan, a "how," a means of getting from here to there, (2) strategy as a pattern of actions over time, (3) strategy as position—including boundary systems, and (4) strategy as perspective—belief systems and core values. Mintzberg argues that over time, strategy emerges as intentions collide with a changing reality. Organizations must not be so blind as ignore the emergent strategy. They must take advantage of situations. The result of this discussion is two types of strategy: intended (the plan) and emergent or "realized" strategy.

Another popular definition of strategy is Porter's (1996) statement that strategy is "about being different." Porter's definition is similar to Mintzberg's strategy as position. Thompson and Strickland (2001) refer to strategy as a "set of competitive moves and business approaches that management is employing to run the company," or in other words, a "game plan." This definition closely aligns with Mintzberg's strategy as action. Strategy serves as the bridge between plan and action and only exists if there is a goal.

Why do organizations need to have a strategy? Bryson argues that strategic planning can produce a number of benefits, including:

(1) The promotion of strategic thought and action which leads to more systematic information gathering about the environment and stakeholders and the establishment of organizational priorities for action.

(2) Improved decision making. Attention is focused on critical issues and organizational challenges, assisting decision makers to formulate and communicate their strategic intentions.

(3) Enhanced organizational responsiveness and improved performance. This benefit flows from the first two. It does no good to think, action is required.

(4) The organization's personnel can better fulfill their roles and responsibilities. Strategic planning is not for every organization nor is it panacea. However, it will help leaders to think and act strategically. Bryson defines strategic planning as "a disciplined effort to produce fundamental decisions and actions that shape and guide what an organization is, what it does, and why it does it." (Bryson)

As can be seen from above, there is no single definitive definition of strategy. It may be that strategy is too broad to be confined by a single definition. Nevertheless, Thompson and Strickland provide an overall framework from which we can build a method for determining and/or analyzing a strategy. Their process is very similar to one outlined by Bryson.

2.   A Strategic Management Process

Thompson and Strickland offer a five-step strategic management process. The first task is to develop a strategic vision and mission. Objectives are then set to convert strategic vision into specific performance targets, including both financial and non-financial strategic objectives. The third step involves designing a strategy. They define this task in terms of how the company should focus its efforts, including how to grow the business, please customers, outcompete rivals, respond to changing market conditions, develop organizational capabilities, and achieve the stated objectives. The first three tasks together (strategic vision and mission, strategic and financial objectives, and a strategy) comprise the organization's strategic plan. The fourth task of strategic management is to implement and execute the strategy. The final step is to monitor, evaluate and take corrective action as necessary. This last step drives the continual feedback and reevaluation of the previous steps. Strategic management is not a one-time effort. It should be continuous. (Thompson & Strickland)

a.   Mission and Vision

The first task is to develop a strategic mission and vision. The mission focuses on current activities—"who we are and what we do." The strategic vision deals with an organization's future—"where we are going." Thompson and Strickland contend that the first step should be the mission, as you cannot state where you are headed if you do not know your current status. Therefore, the first step is to define who you are, what you do, and your current position. Answers to those questions will define the mission of

the firm. After defining the mission, the next step is to define a strategic vision. (Thompson & Strickland)

Collins and Porras provide an excellent framework for developing an organization's vision. They argue that successful companies have fixed core values and a core purpose despite the constant changes to the world, business practices, and strategies. A vision consists of two elements: core ideology and envisioned future. An organization's core ideology is its consistent identity that transcends time. It defines the enduring character of the organization. "Core ideology provides the glue that holds an organization together through time." (Collins & Porras, p. 66) Core ideology consists of two distinct parts: core values and core purpose. Core values are the set of deeply held guiding principles and enduring tenets of an organization. They have intrinsic value to those in the organization and therefore require no external justification as they are determined by what the organization values regardless of the current environment. (Collins & Porras)

The second part of the core ideology is the core purpose, which is the organization's reason for being. The core purpose "captures the soul of the organization" (p. 68). Collins and Porras argue that purpose should last at least 100 years, meaning that it must be more than just a business strategy. (Collins & Porras)

The second part of the vision is the envisioned future, which consists of two parts: a ten-to-thirty year audacious goal and a vivid description of what it will be like to achieve that goal. The first part is termed a BHAG, short for big, hairy, audacious goals and should be a clear and compelling, unifying focal point of effort for the organization. A BHAG should require personnel to stretch to reach it. The final part, the vivid description, should translate the vision from words into a picture or image that people carry around in their heads. The vivid description paints a tangible picture of the BHAG in people's minds. (Collins and Porras)

A vision is only effective if it is properly communicated to, and embraced by, the entire organization. One problem many organizations experience is a vision statement that is never embraced by all personnel. It is simply a personal vision of the

leader (possibly prepared by more than just the leader) that enjoys short-term success. When the vision is simply dictated, it will never be embraced and become a shared vision. Any attempt to dictate a vision is counterproductive. Leaders must unearth shared "pictures of the future" to foster genuine commitment and enrollment. (Senge)

b.   *Objectives, Strategy & Feedback*

Once the mission and vision have been determined, objectives, a strategy, and methods of implementation and feedback must be defined. The objectives represent a commitment to achieving specific performance targets. These objectives should be quantifiable and contain a deadline and include both financial and strategic objectives. (Thompson & Strickland) More specifics on performance measurement are provided below. Next comes the actual strategy, which Thompson & Strickland define as a "game plan" for pleasing customers, conducting operations, achieving organizational objectives, and building a sustainable competitive advantage. Their discussion contains elements of both Mintzberg and Porter's ubiquitous model.

c.   *Environmental Scanning*

Part of developing a strategy requires a firm to examine their strengths, weaknesses, opportunities, and threats, a SWOT analysis. This involves scanning both the internal and external environments. The internal environment involves the organization examining their strengths and weaknesses. Prahalad and Hamel argue that competitive advantage comes from the ability to consolidate corporate wide technologies and skills into competencies that empower organizations to quickly adapt to changing opportunities. Core competencies represent organizational collective learning, communication, and commitment to working across organizational chart boundaries. Core competencies are those things that cannot be imitated by others as they are created by the synergy and harmonization of technology and individual skills within the organization. Examples of core competencies include logistics management at Federal Express and miniaturization at Sony. (Prahalad and Hamel) In short, a core competence

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is a task at which an organization excels and can deliver on without being easily copied by other organizations.

The external environment evaluation requires organizations to examine constituencies to which they must be responsive--shareholders, customers, regulators, suppliers, competitors, consumer and environmental advocates, etc. The list can become quite large. Freeman terms these groups, plus the corporation employees, stakeholders, which he defines as "those groups and individuals who can affect and are affected by the achievement of an organization's purpose." (Freeman, p. 49) Porter's five-forces model provides an alternative way of defining the external environment.

d. CAM-I Strategic Management Process

One model adopted by the Marine Corps Center for Business Excellence is the Consortium for Advanced Manufacturing, International's (CAM-I) Strategic Management Process. The model includes four decision domains: (1) customer/market; (2) product; (3) processes/activities; and (4) resource, which define who, what, how, and cost respectively. Across these domains are seven strategic management processes: target cost management, supply chain management, asset management, capacity management, process management, integrated performance management, and activity-based cost management.

The basic model has been enhanced by the Marine Corps, adding project management and strategic planning for nine total strategic management processes. The processes can be thought of as different skills sets needed to respond to various problems. While each process is found in every domain, certain processes more closely align with specific domains. For example, target cost management is the primary source of information for deciding what markets to enter, but these decisions are also supported by supply chain management and asset management. (McNair) The model, as enhanced by the Marine Corps, is show in Figure 1.
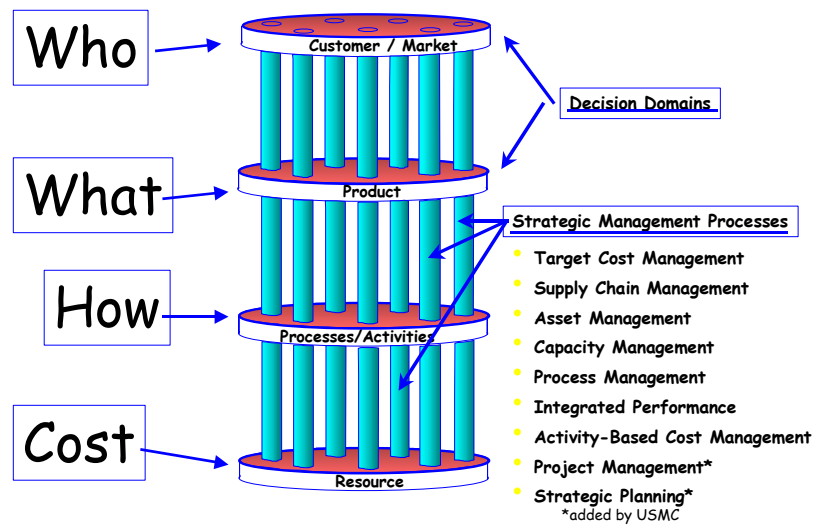
Figure 1: CAM-I Strategic Management Process (From: Clifton)

B. PERFORMANCE MEASUREMENT CONCEPTS

Not everything that can be counted counts, and not everything that counts can be counted. –Albert Einstein

To ensure that the intended strategies of an organization are met, leadership must monitor progress. "A critical enabler in achieving desired performance goals is the ability to measure performance" (Harbour, p. 1). This section describes how a properly constructed performance measurement system provides the tools required to ensure that intended strategies are accomplished. In this section, the phrases performance measurement and management control system are used interchangeably.

1. Purposes of Performance Measures

Performance measures act as the link between strategy and action. By establishing and communicating performance measures, management is stating the business direction, or desired actions, to all stakeholders, both internal and external.

Performance measurement frees up top management's time by allowing them to focus on a few particular items. The measures provide feedback and warning signals when performance is not inline with expectations. Performance measures send cues about preferences, values, and the types of opportunities top management want employees to seek and exploit. In other words, "everyone watches what the boss watches." (Simons)

Harbour adds that performance measures help organizations discover where they are (*i.e.,* establish an initial baseline, or "as is" level), establish goals based on current performance, and determine the difference between a set of desired goals and current performance levels. Performance measures assist in tracking progress toward achieving the desired goals and allow for comparison with competitors' performance levels. Performance measures also help in identifying problem areas and problem causes and assist management in planning. (Harbour)

2.   Characteristics of an Effective System

According to Halachmi and Bouckaert, a measurement system "consists of practices, criteria and standards that govern the collection of data (input), the analysis of the data (throughput), and the compilation of the results into quantitative or qualitative forms (output)" (p. 2). Greiner cites a 1992 GAO report that states, "program performance measurement is commonly defined as the regular collection and reporting of a range of data" (p. 12). This data includes inputs (dollars, staff, and materials), workload or activity levels, outputs or final products, outcomes of products or services, and efficiency-cost per unit or output per unit cost, often referred to as productivity (Greiner). A standard process model includes three items: (1) the inputs to a process, (2) the process itself, (3) the outputs of the process. However, this model omits potentially the most important measure, outcomes. Outcomes measure the extent to which the organization's activities and outputs are having their desired effect. Outcomes measure program effectiveness, while the other three items in the process examine efficiency.

To illustrate the different terms, it helps to use an example. One commonly used example is of a training program. The inputs are the students. The process involves

training the students. The output is the graduated students. The outcome is measured as how well the students perform in the area trained. The first three are the easiest to measure, but provide the least amount of information on the success of the training program. Success of the program is measured by the outcome. However, feedback from outcome measures will always be a lagging indicator, one that may take years to measure and evaluate. There must be a mix of leading (*e.g.,* number of students entering a program) and lagging indicators (*e.g.,* outcomes).

To give the performance measurement system focus, it must align with, and measure progress toward, the organization's intended strategy. According to Brown, an effective performance measurement system must:

- Link to vision, values, and key success factors;
- Have a balance of past, present, and future metrics;
- Have targets or goals based on research;
- Allow metrics to change as strategy and situations change;
- Have metrics defined at the highest level that flow down to all levels;
- Focus on the vital few versus the trivial many. Brown argues that the maximum number of metrics any organization should have as overall measures is twenty. This only applies to overall metrics, not sub-metrics as multiple measures can be combined into several overall indices of performance; and
- Link to the needs of customers, shareholders, and employees. (Brown)

Other authors list different performance measurement principles. Harbour argues that "the key to successful performance measurement is to collect only those performance measures that can or will actually be used," and "measure the critical few, not the trivial many" (p. 9). He further states that measures should be SMART, an acronym for "specific, measurable, action-oriented, relevant, and timely" (p. 39). Harbour calls for a family of measures and states that performance measures should be quickly and easily grasped and understood. Furthermore, Harbour states that all measures should have a

specific use to a real individual or group of individuals and the performance measure should be tied to a specific user by name or position. (Harbour)

Breyfogle, Cupello and Meadows offer the following principles of measurement:

- Know why measurements are made

- Measure only what is important

- Measure causes (drivers) of good importance. Most measures focus on outcomes (effects), not the drivers (causes) of the outcomes.

- Use a family of measures

- Measure both internal and external views of performance

- Keep the number of measures small

- Provide feedback to those providing performance data. Workers often fear performance measurement systems. Feedback can help to counter this fear if the feedback shows the benefits to employees and the organization as a whole. (Breyfogle, et al)

Breyfogle states that measures should be SMART, but defines the acronym differently from Harbour as "simple, measurable, agreed to, reasonable, and time-based." (Breyfogle, p. 38)

Mosso argues that what is needed is not simply performance measurement, but performance management, which translates performance measures into value added. Mosso describes four elements of effective performance management:

- A comprehensive measurement system, which is the hub of performance management. This system should include inputs, outputs and outcomes. Mosso recommends an ABC system.

- A management process that is intertwined with the measurement system so personnel at all levels and across different functional areas (operations, finance, accounting, planning) are involved in setting performance targets, measuring results, and redesigning processes and products to improve results.

- An incentive structure that is links measures to rewards. "People manage what they measure; they measure what they find rewarding."

- Independent audit. (Mosso)

A 1997 National Performance Review study states that a good performance measure:

- is accepted by and meaningful to the customer;

- tells how well goals and objectives are being met;

- is simple, understandable, logical, and repeatable;

- show a trend;

- is unambiguously defined;

- allows for economical data collection;

- is timely; and

- is sensitive.

Additionally this study stated that a successful performance measurement system

- comprises a balanced set of a limited vital few measures;

- produces timely and useful reports at a reasonable cost;

- displays and makes readily available information that is shared, understood, and used by an organization; and

- supports the organization's values and the relationship the organization has with customers, suppliers, and stakeholders. (NPR, 1997b)

Schneiderman argues that metrics can be classified as either results (measures seen by the process customer) or process (internal measures that cause the results) metrics. Results metrics are useful as a management tool. Process metrics focus attention where improvements will have the greatest impact. Schneiderman states that good metrics are:

- A reliable proxy for stakeholder satisfaction;

- Weakness or defect oriented and continuous valued;

- Simple and easy to understand;

- Well documented, unambiguous, consistent, appropriately smoothed, and metrologically sound operational definitions;

- Timely and accessible to those who can best use them;

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- Linked to an underlying data system that facilitates the identification of root causes of gaps in scorecard results; and

- Have a formal process for their continuous review and refinement. (Schneiderman)

Schneiderman further argues that financial results are dependent variables. If a performance management system is to be used as a management tool (a driver of future success), it must be dominated by leading indicators—the only things that can be changed. Metrics must focus on internal, leading, long-term measures. The higher up one is in the organization, the more external measures that should appear in the system. (Schneiderman website)

Kaplan (2001) argues that performance measurement should focus on outputs and the organization's intended outcomes, not on initiatives and programs being implemented. This is most true in the public sector where budgets are formulated by program rather than expected outcome. Furthermore, without a method of measuring outcomes, budgets will continue to focus on inputs to programs rather than outcomes.

One question that often arises concerns the number of measures. Multiple measures can always be combined into composite measures. An analogy used by many authors is to think of the measures like a dashboard. You will only monitor so many items on a dashboard, just as you are only capable of monitoring so many performance measures. One often cited limitation is the number seven, but Miller states that seven may not be an absolute limit. The best limit is that number of items that a manager cares to know about and will actually use to make decisions. Schneiderman argues that a rule-of-thumb for the maximum number of metrics an individual can realistically manage is between five and seven critical metrics that impact the organization's overall achievements (Schneiderman website).

3. What to Measure

Brown argues that a performance measurement system should consist of six different categories of data:

- Financial performance. Historical, current and future data are all needed.

- Product and service quality. An organization cannot rely solely on feedback from customers. It must also have internal metrics to ensure customer needs will be met.

- Supplier performance

- Customer satisfaction

- Process and operational performance

- Employee satisfaction

These measures help to balance the conflicting needs of all stakeholders. Past and future-oriented measures must also be balanced. Brown states that the most important rule is to ensure that metrics link to key success factors and business fundamentals that are linked to the organization's success. (Brown)

A 1997 National Performance Review study found that performance measures used by organizations cluster around a few broad categories:

- Being better than the competition

- Customer satisfaction and customer loyalty

- Economic and people value-added

- Cost of performance (NPR, 1997a)

4.   Designing a Measurement System

Harbour argues that designing a performance measurement system involves answering four types of questions:

- What? Specific types of measures to collect need to be identified.

- Who? Who will use the collected performance information? Users should be specifically identified. Creation of a matrix linking users to measures can be helpful.

- When? This question refers to both the frequency of collection and the timing of the distribution. For information to be useful, it must be timely.

- How? How specific measures are collected. How that information is distributed and how the information is displayed. (Harbour)

The questions are in a logical sequence as the first step surely should be to identify what information the organization needs, then who needs it, when they need it, and in what format.

Anthony and Govindarajan contend that implementation of a performance measurement system involves four steps:

- Define strategy. The organization's goals must be explicit and targets defined.

- Define measures of strategy. These measures must support the strategy. Additionally, the measures must be the critical few or the dashboard will have too many gauges.

- Integrate measures into the management system. The system must be integrated into the formal and informal structures, culture and human resources practices of the corporation.

- Review measures and results frequently. (Anthony and Govindarajan)

5.   Problems with Performance Measurement Systems

The most often cited problems with implementing performance measurement systems include poor correlation between nonfinancial measures and results, fixation on financial results, measures not updated, measurement overload (Anthony & Govindarajan), too much data, only a short term focus, lack of detail, measures that drive the wrong performance, measuring behavior vice accomplishments, and measures that encourage competition and discourage teamwork (Brown). Harbour argues that measurement systems often include highly correlated measures that fool management into thinking they are measuring different aspects when they actually have just one measure (Harbour).

Simons argues that within any performance measurement system various tensions must be balanced. A balance must be sought between profit, growth, and control. Short-

term results must be balanced against long-term capabilities and growth opportunities. Different constituencies have different expectations of the organization. Finally, differing human motives have a large influence on the effectiveness of performance measurement systems. Management must understand the organizational culture and ensure that measures represent and reinforce that culture or the personnel required to implement them will never embrace the metrics. The organization must ensure that it does not offer the wrong incentive to its workers. Too often corporations reward personnel for short-term profit gains when the goal of the corporation is long-term growth. The organization must ensure that metrics motivate employees in the direction congruent with the strategy and that the metrics do not send mixed signals to personnel, else employees may choose that metric which benefits them. (Simons)

C.   PUBLIC AND NONPROFIT ORGANIZATIONS

Public and nonprofit organizations are clearly different from private firms. The most obvious difference is funding. Public and non-profit organizations either rely on fundraising or receive a budget from a legislative body. Rainey points to another distinction, the organizational reason for existence. Public organizations (*e.g.,* the military) exist to provide socially desired services not exchanged on economic markets (Rainey).

Anthony and Young make a simple distinction between profit-oriented and nonprofit organizations. "A nonprofit organization is an organization whose goal is something other than earning a profit for its owners. Usually its goal is to provide services." (Anthony & Young, p. 35) The goals in nonprofit organizations must focus on providing services that are harder to measure than profits. (Anthony and Young) Feedback to nonprofit and government organizations is more nebulous than the market feedback private companies receive. The military, as an expense center, receives its funding through the federal budget process, a process filled with special interests that may not always be directly associated with the goals of the national strategy or the military strategy.

As Mosso points out, "government enhances the general welfare only if it provides goods and services with a value to society that exceeds their cost to society" (p. 68). Mosso argues that the concept of government value added being the gauge of performance calls for quantitative nonfinancial performance measures. "The more subjective the performance evaluation process, the greater is the need for quantitative indicators of intangible values" (p. 69). Quantifying a subjective measure makes it no less subjective, but it gives decision makers something to embrace. (Mosso)

Kaplan and Norton (2001) argue that for nonprofits or government agencies, the objectives and therefore the measures are different. For government agencies, financial measures are not the relevant indicators of whether an agency is achieving its mission. Customer measures should become dominant instead of financial measures. They further argue that a public sector organization generally has three high-level objectives that must be satisfied to accomplish its mission: create value (benefits received by citizens), at a minimum cost, and develop ongoing support and commitment from its funding authority.

In the private sector, there exist a handful of widely accepted, well-defined and understood success measures (*e.g.,* ROI and ROA). However, as many have stated, the measure of success for the military is whether the nation won the latest conflict or not and whether or not it is capable of deterring the next. Without easily definable effectiveness measures, governments have focused on measure inputs and monitoring spending compliance with those inputs. The adage "use it or lose it" is insane. Metrics must be developed to measure outputs and outcomes. BENS argues that government agencies need a return on investment (ROI) measure.

D.   MALCOLM BALDRIGE NATIONAL QUALITY AWARD

1.   Background

In the early 1980s, government and industry leaders saw that an emphasis on quality was not an option but a necessity for doing business in a demanding and ever expanding world market (NIST). The United States productivity growth had not kept pace with competitors' growth over the last two decades. In 1987, Congress declared that

in order to counter the challenge to the United States' leadership in product and process quality posed by foreign competition, strategic planning for quality and quality improvement programs was needed to effectively compete in a global marketplace. Further, Congress stated that improved quality "goes hand in hand with improved productivity, lower costs, and increased profitability." Congress felt that a national quality award could help improve quality and productivity by (1) stimulating companies to improve quality and productivity for the pride of recognition while also gaining a competitive edge; (2) recognizing achievements of companies that improve quality of goods and services; (3) establishing guidelines for business, industry, government, and other organizations to use in evaluating their own quality improvement; and (4) sharing information between award winning firms and those organizations wishing to learn how to manage for high quality. Having stated these findings, Congress established the Malcolm Baldrige National Quality Award. (100th Congress)

The award is named after Malcolm Baldrige, who served as Secretary of Commerce from 1981 until his death from a rodeo accident in 1987. Baldrige advocated quality management as the key to the United States' prosperity and long-term strength. Three awards may be given annually in five categories: companies or their subsidiaries, service companies, small business, education providers, and health care providers. Separate criteria exist for business, education and health care. The Commerce Department's National Institute of Standards and Technology (NIST) manages the program in close cooperation with the private sector. (NIST, 15 USC 3711a)

2. Features

The Baldrige Award criteria form the basis for organizational self-assessment, for determining awards, and for providing feedback to applicants. The NIST states that the criteria help strengthen United States' competitiveness by:

- helping improve organizational performance practices, capabilities, and results;

- facilitating communication and sharing of best practices information among organizations of all types; and

- serving as a working tool for understanding and managing performance and for guiding planning and opportunities for learning.

The goals of the criteria are to help organizations design and implement organizational performance management that results in (1) delivery of ever-improving value to customers, (2) improvement of overall organizational effectiveness and capabilities, and (3) organizational and personal learning. (NIST)

The Award criteria are based upon a set of core values and concepts found in high-performance organizations. These core values and concepts are:

- Visionary leadership

- Customer-driven excellence

- Organizational and personal learning

- Valuing employees and partners

- Agility—a capacity for rapid change and flexibility

- Focus on the future

- Managing for innovation

- Management by fact

- Public responsibility and citizenship

- Focus on results and creating value

- Systems perspective (NIST)

The core values and concepts are embodied into seven general categories. Within the seven categories, there are Items and Areas to Address. The 2001 criteria contain 18 items. Areas to Address further break down and specify requirements for each of the 18 items. The seven categories are:

(1) Leadership—how senior executives guide the organization and how well the organization addresses its responsibilities to the public and practices good citizenship.

(2) Strategic Planning—how strategic direction and key action plans are set by the organization.

(3) Customer and Market Focus—how customer and market requirements and expectations are determined by the organization.

(4) Information and Analysis—management, effective use, and analysis of data and information to support key organization processes and the organization's performance management system.

(5) Human Resource Focus—how the organization enables the workforce to develop its full potential and how the workforce is aligned with the organization's objectives.

(6) Process Management—how production, delivery, and support processes are designed, managed, and improved.

(7) Business Results—examines the organization's performance and improvement in its key business areas: customer satisfaction, financial and marketplace performance, human resources, supplier and partner performance, and operational performance. This category also examines organizational performance relative to competitors. (NIST)

A systems perspective of the Baldrige Criteria is provided as Figure 2. The first three categories, Leadership, Strategic Planning and Customer and Market Focus are referred to as the leadership triad, emphasizing the importance of leadership focus on strategy and customers. The final three categories, Human Resource Focus, Process Management, and Business Results represent the results triad. An organization's employees and its key processes accomplish the work of the organization that yields business results. The horizontal arrow in the center links the leadership triad to the results triad and represents the central relationship between Leadership and Business Results. The remaining category, Information and Analysis, is critical to effective organizational management and to a fact-based system for improving performance. Information and analysis are the foundation for performance measurement. (NIST)

The NIST estimates that the criteria are used by thousands of organizations for self-assessment and training and to develop performance and business processes. Any organization headquartered in the United States may apply for the Award. Applications are evaluated by an independent Board of Examiners composed of private-sector experts

in quality and business. After passing an initial screening, organizations are visited by examiner teams to verify application information and clarify questions that arise during the review. The evaluators examine how the business and other operations of the organization contribute to improvements in the quality of goods and services. Since one of the main purposes of the Award was to share strategies for achieving high quality, Award recipients are asked to share their successful strategies. (NIST)
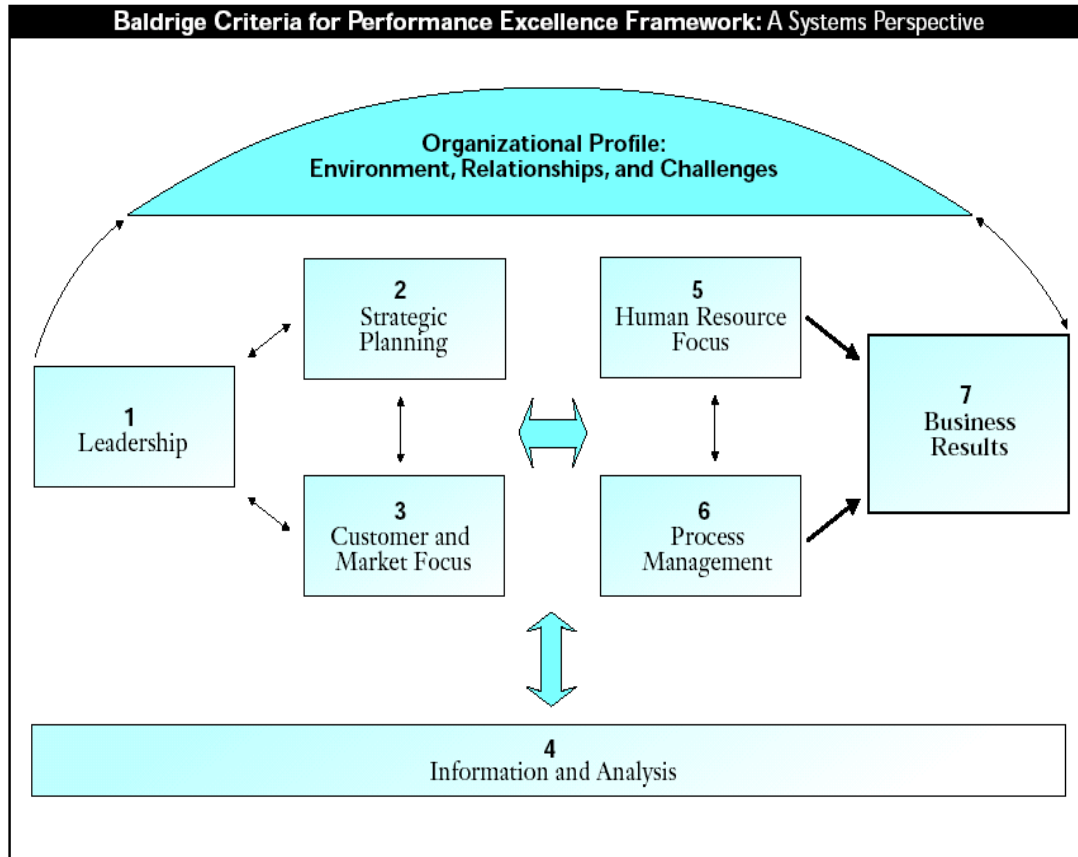
Figure 2: Baldrige Criteria Systems Perspective (From: NIST)

3. Results

Each year the National Institute of Standards and Technology conducts a Baldrige Stock Study whereby they compare hypothetical investments in publicly-traded Baldrige Award recipients' common stock to the Standard and Poor's (S&P) 500 performance. The 2001 Stock Study reviewed Baldrige stocks against the S&P 500 between 1990 and

December 2000. Hypothetical sums were invested in award winners in the year in which they applied. Values were adjusted for stock splits. The twenty-four Award recipients, as a group, achieved a 685.26% return compared to a 163.11% return for the S&P 500. In other words, Award recipients outperformed other stocks by approximately 4.2 to 1. The five, publicly traded, whole company Award recipients outperformed the S&P 500 by 4.4 to 1, realizing a 764.84% return compared to a 173.34% return for the S&P 500. (NIST website) From this it can be surmised that publicly traded companies that apply for and/or win the Baldrige Award outperform those who do not. A direct correlation cannot be made, but it can be said that firms that follow the Baldrige criteria are high performing companies. (NIST)

4.   Variations on the Baldrige Award

The Baldrige Award criteria have been modified to meet the needs of different organizations. The NIST publishes three sets of criteria: business, education, and health care. While these criteria work for corporations, something else was needed for governmental organizations. In 1988, the President's Quality Award Program was established. The Office of Personnel Management administers the Program that consists of two awards: the Presidential Award for Quality and the Award for Quality Improvement. The highest level of Program recognition, the Presidential Award for Quality, is the federal government's equivalent of the Baldrige Award. The Program's application, evaluation process, and Performance Excellence Criteria are closely aligned with the Baldrige criteria, but modified to reflect the government environment.   Aligning the criteria with Baldrige promotes cooperation and information sharing between public and private sectors. (OPM)

The United States Army in 1995 published the first Army Performance Improvement Criteria (APIC) to support Total Army Quality efforts by providing a standard method for measuring the results of continuous improvement efforts. The APIC has been refined and updated annually since. The Army argues that APIC serves as a tool for strategic planning, organizational assessment, and training; raises organizational

performance expectations and standards; and establishes common performance criteria to facilitate communication and sharing of best business practices among Army organizations, business, and industry. The APIC criteria, core values, and concepts are very similar to those contained in the Baldrige Award. (Army)

The Baldrige Award was widely acknowledged as a direct response to Japan's Deming Prize. Administered by the Union of Japanese Scientists and Engineers, the Deming Prize award is even broadcast annually on television. The event is as widely publicized in Japan as the Academy Awards or Nobel Prize are in other countries.   Both awards have the same basic purpose: promote recognition of quality achievements and to raise awareness of the importance and techniques of quality improvement. However, the Baldrige Award is more results- and outcome-oriented while the Deming Prize is more process-focused. The Deming Prize focuses on total quality management and presents individual awards. The Deming Prize success also inspired the establishment of the European Quality Award. (NIST; Armitage & Chai; Milakovich)

Figure 3 provides a comparison of the Baldrige Award, President's Quality Award, and APIC criteria. There are slight differences between all three criteria. The most obvious difference is in the weights—Baldrige places more emphasis on Business Results than the other two. Additionally, the Baldrige and APIC criteria contain 18 Items, while the President's Award contains 19 Items. Digging further one would find that the specific requirements of the Areas to Address are quite different, as the Areas meet the specific needs of businesses, the federal government, and the Army.

E.   THE BALANCED SCORECARD CONCEPT

One performance measure concept that has gained great popularity is Kaplan and Norton's balanced scorecard. This concept became popular following a research study of Analog Devices published in 1990, through a series of articles, and ultimately led to the 1996 publication of their book, *The Balanced Scorecard*. The term itself is simply a combination of performance measurement basics—that measures balance competing interests and performance measures act as a scorecard of performance.

Baldrige 2001 Business Criteria		President's Quality Award 2001 Criteria		Army Performance Improvement Criteria 2001	
1 Leadership	120	**1 Leadership**	125	**1 Leadership**	125
1.1 Organizational Leadership	80	1.1 Organizational Leadership	90	1.1 Organizational Leadership	90
1.2 Public Responsibility and Citizenship	40	1.2 Public Responsibility and Citizenship	35	1.2 Public Responsibility and Citizenship	35
2 Strategic Planning	85	**2 Strategic Planning**	95	**2 Strategic Planning**	95
2.1 Strategy Development	40	2.1 Strategy Development	45	2.1 Strategy Development	45
2.2 Strategy Deployment	45	2.2 Strategy Deployment	50	2.2 Strategy Deployment	50
3 Customer and Market Focus	85	**3 Customer and Market Focus**	95	**3 Customer and Market Focus**	95
3.1 Customer and Market Knowledge	40	3.1 Customer and Market Knowledge	45	3.1 Customer and Market Knowledge	45
3.2 Customer Relationships and Satisfaction	45	3.2 Customer Relationships and Satisfaction	50	3.2 Customer Relationships and Satisfaction	50
4 Information and Analysis	90	**4 Information and Analysis**	95	**4 Information and Analysis**	95
4.1 Measurement and Analysis of Organizational Performance	50	4.1 Measurement of Organizational Performance	45	4.1 Measurement and Analysis of Organizational Performance	45
4.2 Information Management	40	4.2 Analysis of Organizational Performance	50	4.2 Information Management	50
5 Human Resource Focus	85	**5 Human Resource Focus**	95	**5 Human Resource Focus**	95
5.1 Work Systems	35	5.1 Work Systems	35	5.1 Work Systems	35
5.2 Employee Education, Training, and Development	25	5.2 Employee Education, Training, and Development	30	5.2 Employee Education, Training, and Development	30
5.3 Employee Well-Being and Satisfaction	25	5.3 Employee Well-Being and Satisfaction	30	5.3 Employee Well-Being and Satisfaction	30
6 Process Management	85	**6 Process Management**	95	**6 Process Management**	95
6.1 Product and Service Processes	45	6.1 Product and Service Processes	50	6.1 Product and Service Processes	50
6.2 Business Processes	25	6.2 Support Processes	20	6.2 Business and Support Processes	20
6.3 Support Processes	15	6.3 Supplier and Partnering Processes	25	6.3 Supplier and Partnering Processes	25
7 Business Results	450	**7 Business Results**	400	**7 Business Results**	400
7.1 Customer-Focused Results	125	7.1 Customer-Focused Results	125	7.1 Customer-Focused Results	140
7.2 Financial and Market Results	125	7.2 Financial Performance Results	50	7.2 Financial Performance Results	50
7.3 Human Resource Results	80	7.3 Human Resource Results	75	7.3 Human Resource Results	75
7.4 Organization Effectiveness Results	120	7.4 Supplier and Partner Results	75	7.4 Organiztional Effectiveness Results	135
		7.5 Organizational Effectiveness Results	75		

Figure 3: Comparison between Quality Award Programs

(From: APIC, NIST, OPM)

1. The Basics

As developed by Kaplan and Norton, the Balanced Scorecard is a management system incorporating a performance measurement system and a strategic plan. Their Balanced Scorecard expands the traditional organizational performance measures beyond simply financial measures, which measure historical performance, to include three areas of nonfinancial measures. The scorecard "balances" and complements the traditional financial measures with three nonfinancial measures that may be a better measure of the drivers of future performance. Kaplan and Norton state that the four perspectives in their balanced scorecard should act as a template and not a straight jacket.

There may be a requirement for more or less perspectives. The four components of the Balanced Scorecard are:

(1) <u>Financial Perspective</u>. These measures indicate whether a company's strategy, implementation, and execution contribute to bottom-line improvement. These are generally measures of past events and not good measures of future events.

(2) <u>Customer Perspective</u>. Here managers identify customer and market segments where the organization will compete and measures of performance in the targeted segments. Outcome measures include customer satisfaction and retention, new customer acquisition, and market share in targeted segments. These measures enable managers to articulate the customer-based strategy that will deliver superior future financial returns.

(3) <u>Internal Business Process Perspective</u>. These are measures of internal processes critical to the organization's success.   These measures focus on internal processes that have the greatest impact on customer satisfaction and on achieving the organization's financial objectives.

(4) <u>Learning and Growth Perspective</u>. This perspective identifies the infrastructure that the organization must build to create long-term growth and improvement. This perspective identifies the gaps between existing capabilities of people, systems, and organizational procedures and what will be required to achieve breakthrough performance in the other three perspectives. (Kaplan & Norton)

2.   **Strategic Management**

Kaplan and Norton argue that a successful Balanced Scorecard communicates a strategy through an integrated set of financial and nonfinancial measures. The scorecard serves to communicate vision to the entire organization. Every measure should be part of a cause-and-effect chain of relationships that communicates the organization's strategy. Outcomes from one perspective should be drivers within that perspective that lead to desired outcomes from another perspective.

For example, consider a firm that uses return on equity as a measure in the financial perspective. The driver of this measure is repeat and expanded sales from existing customers, which results from a high degree of customer loyalty. Therefore, in the customer perspective, customer loyalty is included as a measure. However, an

analysis of customer preferences reveals that to achieve customer loyalty, the firm must ensure on-time order delivery. The process could continue down until the firm measures employee skills in the Learning and Growth perspective. This example illustrates the need for, and linkage of, outcomes and drivers. ROE (return on equity) is an outcome measure linked to a driver (customer loyalty), which is determined by on-time delivery, both a driver (of customer loyalty) and an outcome from sound internal business processes. (Kaplan & Norton) This illustrates how the measures balance and complement each other.

Kaplan and Norton further discuss the use of the scorecard as a strategic management system. The very process of designing a balanced scorecard forces organizations to determine the critical objectives and performance measures. They have detailed four strategic management processes that contribute to linking long-term strategic objectives with short-term actions. These four helpful strategic management processes are:

(1) Translating the Vision. This includes clarifying and building a consensus of the organization's vision and strategy.

(2) Communicating and Linking. This process involves communication and education of the strategy throughout the organization. It also involves setting goals and linking departmental and individual objectives and rewards with the organizational objectives.

(3) Business Planning. This process enables the company to integrate business and financial plans. The very process of creating a balanced scorecard forces organizations to integrate planning and budgeting processes. Balanced scorecard objectives help prioritize strategic goals and match resources to the highest priority programs.

(4) Feedback and Learning. This process facilitates strategy review and learning. The current strategy should be analyzed and evaluated for possible changes by receiving strategic feedback from the scorecard. (Kaplan & Norton (HBR))

3. Why Balanced Scorecards Fail

While the balanced scorecard concept has intrinsic appeal, the concept can fail if not properly applied. In 1987, Arthur Schneiderman developed the first balanced scorecard at Analog Devices that lead to Kaplan and Norton's writings. Schneiderman argues that the vast majority of balanced scorecards fail over time to meet their creator's expectations. His years of experience with balanced scorecard lead him to state that "a good scorecard can be the single most important management tool in Western organizations" (p. 7). He states six reasons why balanced scorecards fail:

- The nonfinancial scorecard variables are incorrectly identified as the primary drivers of future stakeholder satisfaction.

- Poorly designed metrics.

- Improvement goals are negotiated rather than based on stakeholder requirements, fundamental process limits, and improvement process capabilities.

- There is no deployment system that breaks high-level goals down to the sub-process level where actual improvement activities reside.

- A state of the art improvement system is not used.

- There is not and cannot be a quantitative linkage between nonfinancial and expected financial results. (Schneiderman)

F. QUALITY CONTROL PROCESSES/INITIATIVES

The two strategic measurement methods described above are only a small sample of various means employed by businesses to improve quality and results. The push for higher quality within the United States has lead many American firms to implement two other quality initiatives, ISO 9000 and Six Sigma. While these initiatives were initially focused on manufacturing and production, there have been more recent attempts to apply these principles to service industries.

The ISO 9000 Process requires a firm to document its processes. The focus is on the organization's approach to process and quality management, not directly the results of

the work. The philosophy is that if the processes are sound, the results will meet the customer requirements. The ISO 9000 series is a set of quality management standards, not product specifications, used to ensure quality assurance methods. (ISO) While realizing expected outcomes can be directly attributable to quality delivery of products, they must be the right products. ISO 9000 is a good program for developing quality processes, but it cannot be used by itself as it lacks an overall strategic planning and performance measurement framework.

Six Sigma is a statistically based quality improvement program. Six Sigma involves the structured use of statistical tools to gain knowledge necessary to achieve better, faster, and less expensive products than the competition. The term sigma is used to describe variability, or defects per unit. A higher sigma level indicates that the process is less likely to create defects. The term Six Sigma itself refers to 3.4 defects per million opportunities. It is derived from the normal distribution (where sigma represents standard deviation), allowing a 1.5 sigma shift of the mean. In other words, Six Sigma equates to 3.4 parts per million outside of specification limits.

Why such a statistical focus on quality? It is not good enough to achieve 99% quality. A one-percent error rate in every day life equates to 20,000 lost articles of mail per hour; 15 minutes of unsafe drinking water per day; 5,000 incorrect surgical procedures per week; and no electricity for seven hours per month. This level of quality is unacceptable to the general public. (Breyfogle)

Realizing that customers would not settle for low quality, and losing market share to Japanese firms, Motorola decided to take quality seriously. In the mid 1980s, Motorola began a quality program known as Six Sigma. The program has evolved beyond TQM and improved upon TQM. One of the problems with TQM implementation was a focus on quality at any cost. Six Sigma overcomes this flaw by ensuring that Six Sigma initiatives are linked to the corporation's strategy. The statistical processes do not simply focus on production processes. One example is GE's Six Sigma Program that focuses on five criteria: cost of poor quality, customer satisfaction, internal performance,

design for manufacturability, and supplier quality. These criteria align with and add to

Kaplan and Norton's four perspectives. (Breyfogle; Breyfogle, Cupello, and Meadows)

III. STRATEGIC ENVIRONMENT

This chapter describes the strategic environment, constraints, and restraints facing the Marine Corps. Included in this discussion are federal laws and strategy, and Department of Defense and Department of the Navy policies to carry out the laws and strategy.   Marine Corps-specific concepts as well as current performance measurement and strategic planning status are discussed in Chapter IV.

A. FEDERAL PERSPECTIVE

Within our constitutional system of checks and balances, the legislative and executive branches share responsibility and authority for ensuring national security. Congress legislates a general framework for national defense and allocates resources. The President exercises authority as the Commander in Chief to direct the deployment and employment of the Armed Forces. (Joint Publication 0-2)

1. National Strategy

As the Chief Executive and Commander in Chief, the President is responsible for establishing the security strategy of the United States. The President communicates those items crucial to the security of the United States in the National Security Strategy (NSS). The NSS encompasses diplomatic, economic, military and informational means to achieve objectives that contribute to national security, armed forces being the military instrument of national power. (Joint Publication 0-2) The latest NSS, published in 1999, states that the strategy of the United States has three core objectives: (1) Enhance America's security, (2) Bolster America's economic prosperity, and (3) Promote democracy and human rights abroad. These are very broad topics and the NSS provides few specifics on their attainment. (National Security Strategy)

The blueprint for military attainment of national security objectives stated in the NSS is the National Military Strategy (NMS). The Chairman of the Joint Chiefs of Staff prepares the NMS to advise the President, National Security Council, and Secretary of

Defense "regarding the recommended strategy for attaining the national security objectives given a fiscally constrained force structure" (Joint Publication 0-2, p. I-3) The NMS provides strategic guidance for the employment of military instrument of national power in support of the NSS. (Joint Publication 0-2)

2.   Fiscal Year 2002 President's Budget

President Bush's fiscal year 2002 budget, "A Blueprint for a New Beginning," describes the current administration's priorities for national defense. In this budget request, the President states that the "Nation's defense strategy should drive decisions on defense resources, not the other way around." (FY 2002 PresBud, p. 102) While the President may believe that strategy should determine spending, Congress has been reluctant to make any real additions to the defense budget in recent years because of competing priorities. The September 2001 terrorist attacks will no doubt result in increases to the defense budget. However, many current programs will likely remain constant as increases will go to homeland defense and prosecuting the war on terrorism.

As amended, the President's budget requests an increase of $32.6 billion dollars over fiscal year 2001 enacted levels, an inflation adjusted increase of 7 percent. Included in this request is $3.9 billion for expanded health care for over-65 military retirees, a research and development increase of $6.6 billion, $17.8 billion additional for operations and maintenance, but a decrease of $0.5 billion in procurement over FY 2001 levels. The budget highlights three reforms aimed at improving the efficiency of defense operations: (1) competitive outsourcing and privatization, (2) commercialization, and (3) base infrastructure and closure. (FY 2002 amended PresBud) It appears that the administration is looking to achieve significant cost savings in these areas to fund higher priorities.

3.   Quadrennial Defense Review (QDR)

By law, the Secretary of Defense, in consultation with the Chairman of the Joint Chiefs of Staff, is required to conduct a comprehensive examination of national defense

strategy every four years. This review includes examining force structure, force modernization plans, infrastructure, budget and other elements of national defense with a "view toward determining and expressing the defense strategy of the United States and establishing a defense program for the next 20 years." The review, known as the Quadrennial Defense Review (QDR), must identify a budget plan sufficient to execute a full range of missions called for in the national defense strategy at a low-to-moderate level of risk and any additional resources (beyond those programmed in the future-years defense program) required to achieve such a level of risk. This requires an assessment of "political, strategic, and military risks associated with executing missions called for under the national defense strategy." A report of the review is due to the House and Senate Armed Services Committees by 30 September every four years. In addition, the Chairman of the Joint Chiefs of Staff submits the Chairman's assessment of the review that is included with the report. (106th Congress)

The current QDR report was published on September 30, 2001, and provides the most recent strategic military guidance from the current administration. The 2001 QDR marks a change in thinking about the basis for defense planning. A "capabilities-based" model, focused on how an adversary might fight, replaces a "threat-based" model (focused on whom the adversary might be or where a war might occur). The report states that this change in thinking requires a transformation of military forces, "capabilities, and institutions to extend America's asymmetric advantages well into the future." (QDR Report)

The report states, "The highest priority of the U.S. military is to defend the Nation from all enemies" (p. 18), and maintains that ballistic missile defense is a top priority. The report identifies three challenges that must be faced in order to transform the military to meet tomorrow's security threats. These three challenges are (1) reversing operational unit readiness declines, (2) selective recapitalization of the force, and (3) stopping the decay of aging infrastructure. (QDR Report)

The report also states that while some forces are trained and ready, other operational units are not as ready. Excessive operational demands have taken a toll on

military personnel. The report cites a recent survey that found the two primary reasons for personnel leaving the military are basic pay and family separation. Only through increased quality of life and pay will the military be able to retain the personnel needed to fight the enemy's of tomorrow. (QDR Report)

Procurement spending is at its lowest real levels since the late 1940s. This downtrend began at the end of the Cold War when a conscious decision was made to cut procurement accounts and live off systems procured during the 1980s. Recent increases to procurement accounts have not brought it up to historical levels. As a result of limited funding, many systems are at, or approaching, the end of their serviceable lives. If these systems are not replaced, a reduction in readiness will occur or additional funding will be needed in operations and maintenance accounts to maintain the equipment. (QDR Report)

Infrastructure continues to be underfunded and neglected. In recent years, facility sustainment was funded at only 75-80 percent of the requirement resulting in deterioration of facilities and accumulation of a restoration backlog estimated to cost over $60 billion. Recapitalization has also been significantly underfunded. The private sector replaces or modernizes, on average, facilities once every 57 years. In 2001, the facilities replacement rate for DoD was 192 years. That is not to say that the buildings themselves are 192 years old, but that at the current rate it will take 192 years to replace all existing buildings. The result of underfunded facility sustainment and recapitalization is decaying infrastructure that is less capable of supporting current needs. If not fixed, this trend will result in facilities infrastructure not capable of supporting combat readiness and leading to decreased quality of life which will significantly impact recruiting and retention. (QDR Report)

To meet these current challenges, the armed forces cannot continue to keep doing business as usual. Changes to business practices are required.

Transformation is at the heart of this new strategic approach. The Department's leadership recognizes that continuing "business as usual" within the Department is not a viable option given the new strategic era and the internal and external challenges facing the U.S. military. Without change, the current defense program will only become more expensive to maintain over time, and it will forfeit many of the opportunities available to the United Stated today. Without transformation, the U.S. military will not be prepared to meet emerging challenges. (QDR Report, p. 16)

Prior estimates of available defense resources are useless in light of the September 2001 attacks. The administration's plan to gradually increase defense spending while achieving roughly corresponding increases in available resources through internal efficiencies no longer holds. New estimates of funding requirements are currently being developed in line with the new threats. However, "At the same time, it is critical that DoD's efforts to realize internal efficiencies not be relaxed, as any increased funding will be urgently needed to meet the Nation's new defense demands." (QDR Report, p. 48)

"Transformation applies not just to what DoD does, but how DoD does it." (QDR Report, p. 49) At the same time the security environment shifted from the Cold War structure to one of multiple, varied threats, the productivity and capabilities of businesses changed fundamentally. However, the Department of Defense has not kept pace with changes in the business environment. America's businesses have streamlined and adopted new business models to react to fast-moving changes in markets and technologies, but the Defense Department has lagged behind without an overarching strategy to improve its business practices. The focus of transformation will be on programs in two main areas: (1) recruiting and retaining talented personnel for military and civilian service by improving quality of life, human resources, and family housing and (2) modernizing DoD business processes and infrastructure to enhance employee capabilities and creativity and free up resources to support warfighting and the transformation of military capabilities. (QDR Report)

Programs will be undertaken in four main areas to modernize DoD business processes and infrastructure: (1) streamlining the overhead structure and flattening the organization, (2) focus DoD "owned" resources on excellence in those areas that

contribute directly to warfighting, (3) modernizing the DoD-wide approach to business information, and (4) consolidating and modernizing DoD facility infrastructure. (QDR Report)

The Department of Defense cannot continue to operate with a structure essentially unchanged since the beginning of the Cold War. Headquarter elements continue to grow at the expense of operating forces. The complexity of DoD must be reduced as complexity has been the driving force for the overhead structure increases. The goal is to measurably increase the tooth-to-tail ratio. (QDR Report) Since the end of the Cold War, the tail has grown while the tooth has shrunk. No business could survive with 70 percent overhead and only 30 percent operations. Yet, that has been the situation within the Department of Defense in recent years. (BENS)

Over the past few decades, industry (private sector corporations) has concentrated on core functions while building alliances with suppliers of products and services not considered core to the value they can best add to the economy. DoD must focus on its core competency, warfighting. "Only those functions that must be performed by DoD should be kept by DoD. Any function that can be provided by the private sector is not a core government function." (QDR Report, p. 53) Secretary Rumsfeld calls for the Department to test whether a function is necessary or not to warfighting. The test will divide functions into three broad categories. In areas directly related to warfighting, investments will be made in processes and technology to improve performance.

For functions indirectly linked to warfighting capability, DoD will seek to define new models of public-private partnerships to improve performance. For functions not linked to warfighting and best performed by the private sector, DoD will seek to privatize or outsource entire functions or define new mechanisms for partnerships with private firms or other public agencies. The goal must not be to eliminate necessary activities, but rather to cut costs of support activities while providing better services. (QDR Report)

To modernize the DoD-approach to business information requires a mindset change within the Department of Defense. This initiative supports flattening and streamlining of the organization by using technology to push accurate and timely

information to the proper level.   The definition of business information must also undergo a change. "The Department's business activities include financial as well as non-financial operations and systems." (QDR Report, p. 54) Non-financial business operations and systems include those that support the acquisition, supply, maintenance, medical, transportation, property, inventory, and personnel communities. "However, the Department's financial and non-financial operations and systems do not work together effectively to produce the most desirable business management information." (QDR Report pp. 54-55) DoD will create a department wide enterprise architecture to prescribe how financial and non-financial systems and management processes will interact. (QDR Report)

The QDR report states that DoD has 20-25 percent more facility structure than is needed to support its forces. Budget constraints over the last decade have resulted in much of the excess infrastructure aging beyond acceptable levels. The report states that money is wasted maintaining installations that are no longer needed when there are more urgent transformation priorities. The report argues that consolidating facilities will result in capitalization at a level closer to DoD's goal of 67 years and will save an estimated $3.5 billion annually. (QDR Report)

The CJCS concurs with the defense strategy outlined in the QDR, restating that homeland defense is the highest priority of the U.S. military. However, the Chairman qualifies his concurrence by stating that the strategy is proper if it is matched over time with appropriate resources. (QDR Report)

B.   DEPARTMENT OF DEFENSE PERSPECTIVE

1.   Military Chain of Command

The Chain of Command for the United States Military is composed of two distinct branches. For operational direction of forces, command runs from the President, through the Secretary of Defense, to the commanders of combatant commands. The other branch, used for purposes other than operational direction, runs from the President to the Secretary of Defense, to the Secretaries of the Military Departments.   The Military

Departments operate under the authority, direction and control of the Secretary of Defense. The Military Department Secretaries exercise authority through their respective Service Chiefs over their forces that are not assigned to combatant commanders. The Service Chiefs perform their duties under the direction, authority and control of the Secretaries and are responsible to their Secretaries. (Joint Publication 0-2)

2.   Organization and Responsibilities of the Department of Defense

The Secretaries of the Military Departments, under the authority, direction, and control of the Secretary of Defense, are responsible for "organizing, training, equipping, and providing forces to fulfill specific roles and administering and supporting these forces" (Joint Publication 0-2, p. I-9) In addition to other specified duties, each Military Department is responsible to "develop, garrison, supply, equip, and maintain bases and other installations, including lines of communications, and to provide administrative and logistic support for all forces and bases unless otherwise directed by the Secretary of Defense." (Joint Publication 0-2, p. II-13) Further, based on the Goldwater-Nichols Act of 1986, the services are responsible for organizing, equipping, training, and providing forces and capabilities to combatant commanders to conduct joint operations. It is the responsibility of the combatant commanders to employ these forces in combat. (Joint Publication 3-33)

3.   Joint Vision 2020

Joint Vision 2020 (JV 2020), published by the Joint Chiefs of Staff, provides a long-term conceptual template for transforming the armed forces into "a force that is dominant across the full spectrum of military operations—persuasive in peace, decisive in war, preeminent in any form of conflict." (p. 1) The date is not definitive, but rather defines a general analytical focus to achieving desired ends. JV 2020 does not attempt to counter specific threats or specify weapons or other systems. Its purpose is to provide a broad construct for human and operational capabilities required by the joint force to succeed across the full range of military operations and accomplish its mission in 2020

and beyond. JV 2020 states that in 2020, the joint force will continue to be the key to operational success with integration of individual service core competencies instrumental to the success of the joint team. "The foundation of jointness is the strength of individual Service competencies pulled together. Our objective in implementing the joint vision is the optimal integration of all joint forces and effects." (Joint Vision 2020, p. 41)

The overarching focus of JV 2020 is full spectrum dominance, which is achieved through the "interdependent application of dominant maneuver, precision engagement, focused logistics, and full dimension protection.   Attaining that goal requires the steady infusion of new technology and modernization and replacement of equipment" (p. 3). Achieving the goal also requires innovation in all and personnel must be given the opportunity and means to experiment in all areas. (Joint Vision 2020)

C.   BUSINESS REFORM IN THE FEDERAL GOVERNMENT

> There are serious weaknesses in the internal operations of the Federal
> Government in the fiscal field. These weaknesses penetrate into the heart
> of every governmental transaction. The President's budget, as submitted
> to Congress annually, does not indicate accurately what the costs of each
> activity will be over the coming year; and the Government's accounting
> system, outmoded and cumbersome, does not indicate what was
> accomplished with the money spent in the year past. (Hoover, p. 33)

1.   A Brief History of Performance Measurement in Government

Performance measurement is an old idea with renewed importance. The above quote, published in 1949, is from the Hoover Commission. The Commission was officially chartered by Congress as, "The Commission on the Organization of the Executive Branch of the Government." The Hoover reports noted, "Observe that this avoids the commonly used term, 'reorganization,' and hews to the real point which seems to be this: The Executive Branch has *never* been organized." (p. v) In the federal budgeting area, the Hoover Commission wanted a change to performance budgeting with a focus on functions, activities and projects.   This focus was a shift from inputs to outcomes. (Hoover) The remarks and recommendations of the Hoover Commission are as true today as they were in 1949. Changes are needed in the way government conducts

business. Performance budgeting is the common term applied to the concept of linking the budget to expected results rather than to inputs.

The recommendations of the Hoover Commission were very straightforward, calling for an efficient way of linking inputs to outputs. Concern for measuring the performance of public entities arose with an interest in program budgeting in the 1960s and program evaluation in the 1970s. Recent initiatives have been more complex and mechanistic, such as zero-base budgeting and the DoD's Planning, Programming, and Budgeting System (PPBS). (GAO 99-216) These budget systems still fail to link budgets to outputs and focus rather on inputs.

A number of forces in the 1990s have led to a renewed interest in performance measurement. "Taxpayer revolts, pressure for the privatization of public services, legislative initiatives aimed at controlling 'runaway' spending, and the devolution of many responsibilities to lower levels of government have generated increased demands to hold government agencies accountable to legislatures and the public in terms of what they spend and the results they produce." (Poister & Streib, p. 325)

The reinventing government movement asked for by Vice President Al Gore's National Performance Review in 1993 called for a new way of thinking about how public agency performance is defined and measured.   This renewed interest in performance measurement was stimulated by resolutions of various associations, including the Government Accounting Standards Board (1989), the National Academy of Public Administration (1991), the American Society for Public Administration (1992), and the National Governors' Association (1994). These resolutions urged governments to institute systems for goal setting and performance measurement. (Poister & Streib)

2.   Government Performances and Results Act of 1993

The Government Performance and Results Act of 1993 (known as the Results Act or GPRA) embodied this push toward performance measurement. GPRA was written because the public had lost confidence in the Federal Government's ability to "address adequately vital public needs." Additionally, the Act stated that Federal managers were

largely unable to improve efficiency and effectiveness because of a lack of focus on program goals (required outcomes) and performance. Congress even went so far as to criticize themselves by stating that their policymaking and oversight were handicapped by lack of attention to performance and results. (GPRA)

The stated purposes of the act are to: improve the public's confidence in government by holding Federal agencies accountable for achieving program results; improve program performance by setting program goals, measuring performance against those goals, and publicly reporting on progress; improve program accountability and effectiveness by focusing on results, service quality, and customer satisfaction; improve service delivery by requiring appropriate planning; improve legislative decision making through more objective information on efficiency and effectiveness of Federal programs and on achieving statutory objectives; and improve internal management of the Federal Government. (GPRA)

The Results Act requires each Federal agency to submit a five-year strategic plan that is updated and revised every three years. The strategic plan must contain: a comprehensive mission statement; general goals and objectives; outcome-related goals and objectives for the agencies major functions; a description of how the goals and objectives are to be achieved (including required resources); identification of external factors beyond the agency's control that could significantly affect achievement of its goals; and a description of evaluations used in establishing goals and objectives. The strategic plan is to be submitted to the Office of Management and Budget. (GPRA)

The Department of Defense strategic plan is required to be updated and revised at least every four years vice every three years, to coincide with the Quadrennial Defense Review. (106th Congress) The QDR report states that the submitted report satisfies the requirement of GPRA to submit an overall strategic planning document. The four risks identified in the report are stated to form the basis for DoD's annual performance goals as required by GPRA. (QDR Report)

GPRA further requires annual agency performance plan submissions to OMB. These performance plans must be consistent with the strategic plan described above;

establish performance goals defining a program's performance level in an objective, quantifiable, and measurable form (unless OMB determines this is not feasible and authorizes an alternate form); establish performance indicators to measure and assess outputs, service levels, and outcomes for each program activity; provide a means for comparing actual results with established performance goals; and describe the means used to verify and validate measured values. (GPRA)

Annually, by 31 March, each agency is required to submit to the President and Congress a program performance report for the previous fiscal year. The report should review success in achieving the previous year's performance goals and evaluate the current performance plan based on the reported performance from the previous year. The report must state why any goals were not met and plans for achieving the goal (if it is practical and feasible). (GPRA)

In summary, the Act attempts to improve the performance of Federal agencies by focusing on long-term strategic planning and performance measurement. The agencies must clarify their reason for existence (their mission), and establish measurable and verifiable goals and objectives that are reported on annually. The established goals and objectives must focus on service quality, customer satisfaction, and results. The act is designed for Federal Agencies (e.g., the Department of State, Department of Defense). However, agency components will also have to follow these, or similar, guidelines as Congress has shifted the focus of the government toward performance measurement.

In order for any government initiative to be successful, the executive and legislative branches must embrace it. Senator Fred Thompson is quoted as saying, "For the Results Act to mean anything, it will be up to Congress to hold agencies accountable for those results" (Laurent). The Bush administration has also stated its support by notifying agencies that it plans to require specific linkages between program funding and performance goals in the fiscal year 2003 budget (Peckenpaugh). Both branches may have to push hard as a GAO review of fiscal year 2000 budgets showed that only fifteen of thirty-five agencies reviewed had shown how program activity funding would be allocated to achieve performance. This was up from fourteen agencies the previous year.

The DoD was not one of the fifteen agencies. (GAO 99-239) Further, a GAO review of DoD's 1999 Performance Report and 2001 Performance Plan states "the extent to which DoD has achieved the key program outcomes in not completely clear in its FY 1999 performance report and FY 2001 performance plan." The report further states that this is largely due to a lack of clear goals, measures, or assessments in areas defined in the performance plan. (GAO 00-188R) DoD claims that the PPBS and QDR processes satisfy GPRA requirements may not be accurate. Neither the budget nor the GPRA report state measurable performance goals. It will be up to Congress and the President to determine the definition of performance goals for Defense.

3. Defense Reform Initiative

In November 1997, the Secretary of Defense announced the Defense Reform Initiative (DRI), stating that the Department will execute the defense strategy with forces that fully exploit technological advances by employing new operational concepts and organizational structures and support the forces with a Department that is lean, agile and focused on the warfighter. The DRI Report identified four major areas of Defense Reform: (1) adopt best business practices, (2) reorganize to remove redundancy and maximize synergy, (3) apply market mechanisms, and (4) reduce excess support structure. (DRI) This initiative renewed the push within DoD to improve business practices and embark on a revolution in business affairs.

4. New Definition of Financial Management

In July 2001, Secretary of Defense Rumsfeld established a Department-wide Financial Management Modernization Program. In his memorandum, the Secretary stated that the Department's business activities include both financial and nonfinancial operations and systems. In order to make effective business decisions, personnel must have reliable, accurate and timely business information. However, current systems do not always provide that information because the financial and nonfinancial systems do not work effectively together. The Secretary established a program management office

under the Under Secretary of Defense (Comptroller) to develop a DoD-wide enterprise architecture for how the various systems will interact into one business system. (Rumsfeld) This memorandum significantly changes the definition of financial management within the Department of Defense. No longer will finance be viewed as just accounting or budgeting, but rather as entailing business decisions.

5.   Department of the Navy Business Vision and Goals

In July 1999, the Department of the Navy took the first step toward transforming the "business side" of the Department of the Navy by issuing a business vision and goals document. The Business Vision of the Department of the Navy is:

> The Department of the Navy will continue to provide the dominant global naval force and develop future capabilities to safeguard the nation. The Department will recruit, engage, and retain the best people in the military and civilian service; deliver recognizable value for every dollar spent; and create a business environment focused on teamwork and outcomes. (Danzig)

In the 1999 letter, the Department of the Navy states that in order to achieve the vision of supporting the naval forces for the 21st century, certain business goals are critical. The four goals are not detailed prescriptions, but rather common directions. The goals include: fostering continued conceptual, technological and operational superiority; recruiting, engaging, and retaining the best people, both military and civilian; delivering recognizable value for every dollar spent through the use of decision support systems; and creating a business environment focused on teamwork and outcomes. The DoN further states that in an era of decreasing defense resources, it is imperative that business practices improve to achieve greater military capability from resources provided for the defense of the Nation. The military departments must adapt and adopt lessons learned from the private sector. "Our business vision is inextricably linked to the operational needs of the naval services." (Danzig)

6.   Summary

In order to afford new weapons and technology, increase readiness, and recapitalize infrastructure as stated in the above strategy documents, more available funding is needed. Additional funding can come from two sources, increases in the top-line budget or through internal efficiencies. While some increases may come from the budget process, DoD must look internally at ways of achieving efficiencies. However there must first be a way of determining what is meant by efficiency in achieving a desired outcome. DoD cannot continue to assign 45 percent of personnel to infrastructure activities (BENS). The Cold War structure of DoD and its processes must change to one based on outcomes vice inputs. The next chapter will examine the strategy and current state of performance measurement in the Marine Corps.

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IV. UNITED STATES MARINE CORPS STRATEGIC DIRECTION

Marine Corps installations cost $2.7 billion in fiscal year 2000, were responsible for over 2.4 million acres and associated training ranges, maintained over 26,000 buildings, and provided support to over 240,000 Marines, sailors, and civilian Marines. The costs included $1.29 billion for operations and maintenance, $110 million for family housing, and $732 million for military personnel. While the above costs are approximately 20 percent of the total Marine Corps budget, it is enormous considering the fact that management of installations is not one of the Corps core competencies.

A. MARINE CORPS OVERVIEW

> The Marine Corps shall be organized, trained, and equipped to provide fleet marine forces of combined arms, together with supporting air components, for service with the fleet in the seizure or defense of advanced naval bases and for the conduct of such land operations as may be essential to the prosecution of a naval campaign. (Title 10 USC Sec 5063)

The strategic concept for the United States Naval Service, the Navy and Marine Corps, *Forward . . . From the Sea*, signaled a shift in focus from a blue water navy to one focused on the ability to project power from the sea in the critical littoral regions of the world. The basic presence building blocks remain Aircraft Carrier Battle Groups and Amphibious Ready Groups—with special operations-capable Marine Expeditionary Units. These building blocks can be tailored and/or massed as required and augmented by using the afloat Maritime Prepositioning Force to project our naval expeditionary forces ashore. Naval Forces continue to have five fundamental and enduring roles in support of the National Security Strategy: projection of power from sea to land, sea control and maritime supremacy, strategic deterrence, strategic sealift, and forward naval presence. (Dalton, et al) The shift in focus to the littorals, a long-standing focus of the Marine Corps, resulted in funding for new priorities, including the Advanced Amphibious Assault Vehicle, the Osprey, and other costly acquisitions. The programs

will be entering the procurement phase in the coming decade. To continue to upgrade other needed systems, the Marine Corps must find additional funding within its budget.

1.   Marine Corps Capabilities

The Marine Corps maintains a unique expeditionary operations capability that provides a wide range of power projection options in support of vital US interests. The Marine Corps is trained to conduct forcible entry from the sea with a combined arms force—the Marine Air-Ground Task Force (MAGTF), which are integrated, combined arms forces that include air, ground, and combat service support units under a single commander. MAGTFs are expeditionary in nature, capable of missions across the full range of military operations, and provide crisis response options that can be tailored to meet any situation.

The MAGTF organization and structure contains four elements: the command element, ground combat element, aviation combat element, and combat service support element. MAGTFs are organized, trained, and equipped from the operating forces assigned to Marine Corps Forces Pacific, Atlantic and Reserve are provided to geographic combatant commanders as required. The Marine Corps provides a unique capability as it is the only Service specifically tasked by Congress to operate as an integrated combined arms force providing a joint force in three dimensions—air, land, and sea. (Joint Publication 3-33, *Strategy 21*)

2.   Values

The values of the Marine Corps, referred to as the core values, are honor, courage, and commitment. In addition to instruction on core values during basic training and throughout their careers, all Marines are given a core values card, similar to a credit card. On this card, the three core values are further expanded. Honor includes integrity, responsibility, and accountability. Courage is doing the right thing, in the right way, for the right reasons. Commitment means "devotion to the Corps and my fellow Marines." These core values are permanently part of the Marine culture. These are intrinsic values.

3.   Mission

The Marine Corps exists for two fundamental reasons: (1) to win the nation's battles and (2) to make Marines. The primary mission of the Marine Corps is "readiness for operations across the spectrum of conflict." To ensure that the Corps attains its mission, all efforts must go to supporting the operating forces: "The operating forces will not be the 'bill-payer' for other requirements." Operating force commanders must have absolute confidence that required support will be provided when and where it is needed. The supporting establishment must be organized and operate to support the operating forces. (CMC Guidance)

4.   Vision

Published in November 2000, *Marine Corps Strategy 21* is the long-term strategic guidance and capstone strategy for the United States Marine Corps. *Strategy 21* envisions a Marine Corps that provides geographic combatant commanders with "scalable, interoperable, combined-arms Marine Air-Ground Task Forces (MAGTFs) to shape the international environment, respond quickly to the complex spectrum of crises and conflicts, and gain access or prosecute forcible entry operations." *Strategy 21* supports, and is consistent with, the conceptual template state in *Joint Vision 2020* to guide the continual evolution of the Armed Forces. (Strategy 21)

5.   Goals

The Marine Corps has adopted three major goals to achieve the vision stated in *Strategy 21*:

(1) Make America's Marines who comprise the premier expeditionary "Total Force in Readiness".

(2) Optimize the Corps' operating forces, support and sustainment base, and unique capabilities to respond to the complex spectrum of crises and conflicts.

(3) Capitalize on innovation, experimentation, and technology to prepare Marine Forces to succeed in the 21st century.

6. Core Competencies

Strategy 21 states that the core competencies of the Marine Corps are: ready to fight and win, expeditionary culture, combined-arms operations, task organized, reserve integration expertise, forcible entry from the sea, Marines are naval in character, and joint competency. The core competence is stated more succinctly in the Commandant's Guidance: "Combat ready MAGTFs are our unique contribution to the common defense" (p. 9). Stated another way, the core competencies of the Marine Corps are naval expeditionary warfare, amphibious warfare, and combined arms operations.

B. THE 5TH ELEMENT OF THE MAGTF

The Marine Corps' bases and stations are referred to as the "fifth element" of the MAGTF. Installations provide two critical functions for Marines. Marine Corps installations are the means by which the Marine Corps develops, trains, and maintains a force prepared to win the Nation's battles. Installations are the "launch platforms" from which expeditionary power is projected—the place where MAGTFs are sustained and from where they are deployed. Additionally, installations support quality of life for Marines and their families. (CMC Guidance, Installation Campaign Plan) Installations provide a wide range of facilities and services to sustain the development, training and readiness of Marines and support the quality of living and working conditions for Marines, Marine families and the Corps' civilian workforce. "Marine Corps installations are the foundation of Combat Readiness. They are where training, the work environment, and quality of life services and programs come together." (*Installation 2020*, ICP)

"Installations support the Marine warfighter, our installation workforce, and Marine families in ways that directly support readiness. By caring for their families, an installation enables the warfighters to focus totally on mission when called upon to do so." (ICP) Succinctly, "Without installations, there is no readiness." (CMC guidance)

To assist in making better resource allocation decisions, the Marine Corps has defined thirty-seven standard installation processes, grouped within seven major activities. These definitions were necessary to standardize the processes across all

installations in support of ABC/M efforts. These processes, in a broad sense, encompass all functions that Marine Corps installations perform. The MAGTFs rely on installations to provide those services listed in Figure 4. (USMC Business Plan)

USMC Infrastructure Processes and Major Activities

Facilities and Land Management	Community Services	Security and Safety	Command and Staff Support	Information Management	Logistics Support	Training and Operations Support
Provide Real Property and Land Management Services	Build Family Readiness	Manage Safety Programs	Provide Legal Counsel	Provide Voice	Provide Transportation	Provide Military Training
Provide Facilities Services	Provide Recreational Opportunities	Provide Security	Provide Command Support	Provide Data Services	Procurement and Supply Operations	Provide Civilian Training
Sustain, Restore and Modernize Facilities	Develop Physical Wellness	Provide Fire Protection and Emergency Services	Manage Community Relations	Provide Audio/Video/ Visual	Provide Food Services	Provide Aviation Operation Support
Provide Utilities	Modify Behavior/Develop Mental Well-Being		Manage Business Practices	Provide Ground Electronic Maintenance		Provide Range Management
Provide Environmental Services	Provide Goods and Services		Provide Personnel Support			Provide Simulation Support
Provide Housing	Provide Food, Lodging, and Hospitality		Manage Financial Resources			
	Provide Information and Non-Professional Education					
	Provide Military Personnel Support					
	Provide Religious Support					
	Provide Legal Services					

Figure 4 (From: USMC Business Plan)

C.   USMC INSTALLATION VISION

Marine Corps Installations 2020 is the Corps' vision of installation evolution, growth and transition to ensure support of *Marine Corps Strategy 21*. The Corps envisions that in 2020, among other things: installations will be more closely linked to the operating forces; additional training areas will be generated; the Marine Corps will engage in partnerships with other services and Federal, state, and local agencies to protect and optimize ranges; local commanders will have the "lead" in addressing local issues;

installation commanders will make business decisions concerning privatization, outsourcing or service regionalization; and base commanders will have flexibility to adopt innovative business practices and partnerships. *Installations 2020* does not state the means to obtain the vision, rather it describes the desired ends.

Installations 2020 states the following, which appears to be the vision for 2020: "Installations support the MEF; allow training as a MAGTF; enable unimpeded access to ranges, airspace and training areas; have long range management business plans and; have programs that ensure safety and quality of service for all Marines, their families, civilian employees, and retirees." (p. 16) Successful implementation of this vision is necessary to ensure that installations fulfill their mission as the fifth element of the MAGTF and contribute to successful implementation of *Strategy 21*. Installations are the foundation of Marine Corps combat readiness. Without installation support, the operating forces will not be ready to respond when called to action.

The vision is broken down into five main categories, Basing Strategy; Training, Ranges and Maneuver Space; Encroachment; Base Management; and Quality of Service. Within each grouping are elements of the future vision:

- ***Basing Strategy***

--More closely link our installations to the operating forces

--Bases are located near air and sea ports of embarkation

--Grouped around the MAGTF

- ***Training, Ranges and Maneuver Space***

--Ability to train as a MAGTF is a fundamental requirement

--Unimpeded access to ranges assured

--Live fire and maneuver capability maintained

- ***Encroachment***

--Encroachment is a serious threat to our Corps

--Continue outstanding natural resource stewardship

--Proactively engage federal, state, and local governments

- *Base Management*

--Installations are unparalleled in capability and efficiency

--Driven by mission

--Enhanced business focus

- *Quality of Service*

--Our base promote Marine culture and ethos

--Every Marine is valued as a unique natural resource

--Family readiness is a cornerstone (*Installations 2020*)

One of the items that deserves further mention is "Enhanced business focus," which means that in non-core areas at U.S. bases, the Marine Corps will make decisions to retain or divest functions based on best business practices. Local commanders will be given the flexibility to make the decision, without a "one size fits all" mandate or direction. (*Installations 2020*)

D.   THE NEED FOR REFORM

In his guidance to the Marine Corps, upon assuming the position as Commandant, General Jones stated,

> We cannot continue to mortgage the future of our bases and stations and still expect to develop, train, and maintain a modern force that is prepared to win our Nation's battles. Without installations, there is no readiness. Modernization of training support resources must keep pace with the improved capabilities of the operating forces…. In an environment of finite resources, we must prioritize our efforts by focusing on the installations that have the greatest impact on supporting our MAGTFs…. My goal is to return as many of our Marines as possible to the operating forces. (CMC Guidance)

Historically, installations have been used as the bill payer for competing interests, specifically, training and operations. The Marine Corps envisions consciously reversing this trend by 2020 and investing in infrastructure to keep pace with operational mission

requirements and a balance between training and quality of life (*Installation 2020*). To do so in an austere funding environment requires smarter installation management. Cost savings must be achieved. The Corps must minimize uniformed structure in our supporting establishment and return those structure billets to the operating forces. These initiatives require the adoption of better business practices. "To do this, we must explore the latest management tools and incorporate applicable Better Business Practices from highly successful commercial industries, moving forward with the solid foundation required to support our fighting forces" (ICP).

The Marine Corps Installation Reform (IR) program focuses on improving delivery of goods and services while reducing costs and overhead. It builds upon many national initiatives including National Performance Review, the Commission on Roles and Missions, and the Defense Reform Initiatives. "Our IR program relies upon the four key tools identified in the Defense Reform Initiative to improve business practices: Elimination, Regionalization, Reengineering, and Competition." (ICP, p.18)

E.   USMC BUSINESS REFORM

In early 1998, the Commandant published a letter entitled "Better Business Practices," calling for the Marine Corps to embrace a revolution in business affairs. The Commandant noted that the Marine Corps must transform its business practices in the same way that private sector businesses had minimized overhead, reduced costs and increased responsiveness. He further stated that reductions in costs would not cause reduced results or quality. In September of 1998, the Installation Reform Division was created within Installation and Logistics at Headquarters Marine Corps to coordinate improved business practices as stated in the Commandant's letter. In early 1999, the Assistant Commandant of the Marine Corps signed the *Installation Reform Business Plan*, and directed implementation of activity based costing and activity based management (ABC/M) at all installations. Initial ABC/M efforts have been very successful. However, the Marine Corps must take the next step—developing a strategic

framework and performance measures so that the ABC/M data and information can be used as knowledge to make informed business decisions.

To achieve the objectives of *Marine Corps Strategy 21* and the *Commandant's Guidance*, and facing economic realities, the Marine Corps realized changes were required to business practices. The focus of the current Marine Corps Business Plan is on the installation component of the Business Enterprise. Other initiatives within the Corps focus on the other aspects of the Business Enterprise (acquisition, logistics/combat service support, and installations). The current Business Plan identifies four main areas: leadership and planning, execution and process management, information and analysis, and human resources. (USMC Business Plan) Note that these four areas are similar to the Baldrige categories.

The Business Plan states the following Marine Corps Installation Vision:

> Marine Corps installations, the 5th element of the MAGTF, are world leaders in the management, use, and accountability of resources. Installation commanders consistently meet the demands of their mission to deliver high quality goods and services to the operating forces, individual Marines, and family members through a vigorous and systematic application of the Marine Corps leadership principles and best business practices.

Actions within each of the four focus areas move the Corps toward the stated vision. In addition to continued standardization and maturation of ABC/M models, data, and information systems, benchmarking and integration into the Program Objective Memorandum (POM) is expected. However, there is currently no system in place to measure success of installation management. The development of the Business Performance Offices and an overall strategic plan are the first steps towards being able to evaluate installation strategic management. Chapter V suggests a framework for evaluating installation strategic management. The current ABC/M efforts will provide information to support decision making by installations and resource decisions by higher headquarters and will support any suggested performance measurement system.

F.   SAMPLE OF CURRENT INSTALLATION PERFORMANCE MEASUREMENT METHODS

In August 2000, the author visited three USMC installations in Southern California. Specifically visited were Marine Corps Base Camp Pendleton, Marine Corps Air Station Miramar, and Marine Corps Recruit Depot San Diego. These installations were chosen based on their close proximity, but also because they represent the three main types of bases in the Marine Corps: a ground base, an air station, and a training base, respectively. The Recruit Depot provided an interesting perspective because not only is that installation responsible for support in the manner described above, but they are also an operational installation responsible for basic training of Marines.

The author will attempt to summarize the findings in this section without specifically identifying any of the installations. Installation specifics are not important at this point. However, a general understanding of installation progress will provide the reader with a better understanding of the current situation.

1.   Strategic Planning

All three installations had begun some sort of strategic planning process. Two of the installations used the same process, "Integrated Strategic Planning" developed by the Director of Organizational Development at Marine Corps Base Camp Pendleton. The other installation went through a strategic planning process run by a consulting company hired by the Installation Reform Division.

The strategic plans exhibited varying levels of sophistication, largely due to different approaches to long-term strategic planning. Regardless of the process, all three strategic plans had similarities. Values, missions, and goals were established at each installation. Each process included involvement of the Commanding General and his principal staff (Assistant Chiefs of Staff). In addition to the overall installation strategic plan, each staff section/department is required to develop a strategic support plan that supports the enterprise strategic plan. While variations occurred, each support plan required approval by either the Chief of Staff or the Commanding General. (Interviews)

Responsibility for coordinating the overall strategic plan rests with one office on each installation. From the three installations visited, there were three different offices handling coordination of strategic planning: base business office, comptroller, or quality management division. There has been a move to develop a common structure at all installations, but this discussion is beyond the scope of this research. These offices are also responsible for ABC/ABM implementation and each stated that they are currently working on linking ABC/M to the strategic plan. There were different views on how often the strategic plan should be updated. These views seemed to cover most of the spectrum, from an "iterative, continuous process" to once every two years. (Interviews)

One of the goals in developing a strategic plan is to ensure that the organization is meeting the goals of higher headquarters. When asked if their plans are linked to higher headquarters strategy, all three installations responded that they have not received clear guidance on what they are supposed to achieve. Strategic plans are lacking at levels higher than the installation level. Each installation has tried to distill what they should be accomplishing by reviewing the CMC's and other published guidance. Each installation felt that no clear objectives had been promulgated to guide them in their strategic planning, and guidance that is received is often conflicting. There is a definite need for strategic guidance from higher headquarters. (Interviews)

2. Performance Measurement

The installations displayed three very different approaches to performance measurement and reporting. However, they generally monitor the same metrics. One of the installations was focused on further refinement of their ABC model. This installation stated that some staff sections were measuring data, but nothing was being aggregated at higher levels. The statement "You have to have stability to have performance measurement," summed up their current status. Their plan is to continue to refine and mature the ABC model, while building an activity based information system, then beginning ABM and developing a "to-be" organization before returning to performance measurement and strategic planning. In their campaign plan, this installation has defined

a scorecard composed of four goals: (1) satisfied customers, (2) adequate resources to accomplish its mission, (3) a great place to live and work, and (4) the community supports our existence.

A second installation had developed a Command Status Report for the Commanding General. The report is a type of dashboard, with items meeting or exceeding goals highlighted in green, those items short of goals in yellow, and those items needing attention and additional planning in red. The report highlights all items of concern to the Commanding General. This installation's strategic plan states that their excellence values are organization effectiveness/efficiency, customer satisfaction, and employee morale with associated performance metrics. The status report then measures achievement of goals by individual command or department related to the performance metrics stated in the strategic plan.

The third installation measures performance in two different ways. For the entire installation, measurements focus on excellence values: (1) employee morale, (2) customer satisfaction, and (3) organizational efficiency. Measures for these three areas are compiled and reported to the Commanding General for the entire installation. Additionally, this installation has defined three outputs and associated metrics: (1) infrastructure services, (2) training support services, and (3) quality of life services.

For all three installations, goals were set for defined measures. Since the installations are in the initial stages of performance measurement, and lacking clear guidance from higher headquarters, many performance goals were guesses at best. All three installations feel that as they begin to capture data for their measures they will be able to set realistic stretch goals and move towards benchmarking other high performing organizations.

The installations agreed that establishing their own metrics and goals without guidance from higher headquarters was difficult at best. Complaints were made about the number and cost of required A-76 studies being in direct competition for funding with the mandated savings, the "wedge." To the installations, these are competing tasks. The short-term view of requiring both the wedge and the A-76 studies (which do not realize

savings in the current year) will lead to rash, myopic decisions rather than long-term strategic decisions. The problem is a lack of strategic focus and definitions of what is required of an installation reinforced with appropriate performance metrics. Additionally, counting the number of A-76 studies is not a measure of success as it is a one-time measure that provides no incentive for continuous improvement.

An anecdote was given about a recent conference where the intermediate command, the three installations, and headquarters met to discuss performance metrics. The three levels all had differing views of the world and different priorities. However, all sides were open to ideas and information was shared. It appears that many Marine Corps orders and regulations will need to be rewritten because of communication resulting from attempts to define success of installation processes. There will be a better relationship between what is being dictated and what is actually occurring.

While all three installations approached strategic planning and performance measurement from different perspectives, there were some definite similarities. It is interesting to note that these installations largely undertook their planning processes without input from other installations, yet reached the same general conclusions. All three agree that more guidance from a higher level headquarters is required. These installations have developed performance metrics that link to their strategic plans. Metrics that are common at each installation include: customer satisfaction, quality of service/employee morale, and organizational efficiency. There were differences, however, in whether to measure processes, outputs or outcomes. There is also a lack of clear definitions for those terms, further complicating the issue. All installations should use the same terms.

G.   THE ROAD AHEAD

In October 2001, the Marine Corps held its 3rd annual Business Summit, gathering personnel from installation business performance offices, Installation Reform Division (LR), consulting firms, and business firms together to discuss the future of reform within the Marine Corps. Over three days, presentations were given on ABC/M implementation

within industry, change management, strategic planning, performance measurement (by the Governmental Accounting Standards Board), ABC scorekeeping, activity based information systems (ABIS), and future training. The Summit concluded with a brief by Colonel Dave Clifton, Head Installation Reform Branch. In his brief, Colonel Clifton stated the expected outcomes for fiscal year 2002. These outcomes include:

- Achieving a saving goal of $50 million over the next 24 months.
- Developing performance measures, benchmarks, and best practice analysis.
- Improving ABIS, by standardizing and validating all data and automating all data collection.
- Improving ABC model standardization.

Colonel Clifton briefed that the Corps must begin to leverage its ABC investment to improve "fact-based decision making and resource allocation at higher headquarters." ABC/M is the foundation for business reform within the Corps. (Clifton)

The Corps has begun work on defining standards of business excellence. Susan Stuffle from LR briefed that the Corps is examining progressive benchmarking, best practice analysis, and development of improvement/reform actions. The approach is to first define data/information availability and needs. Then the information must be interpreted, standardized and validated. Finally, learning can be applied to continuously improve business practices resulting in reduced costs. Stuffle is examining the President's Quality Award Criteria, the Government Performance Project at Syracuse University, and ISO 9000.

The Marine Corps is taking a progressive approach to benchmarking. Initial benchmarks will be set within the Marine Corps. Next, benchmarking will be done within DoD. Finally, the Corps will perform best-in-class analysis. This final step will include benchmarking against whatever the best-in-class process is, whether it is within or outside DoD. This final level of benchmarking will result in "True Standards of Business Excellence" being set. (Stuffle)

V.   PROPOSED FRAMEWORK AND CRITERIA

A.   INTRODUCTION

The arguments for performance measurement are strong. GPRA requires that government agencies conduct strategic planning and measure outcomes. Fiscal realities outlined in the QDR Report and the fiscal year 2002 President's Budget require a more efficient Department of Defense. Marine Corps strategic vision documents call for the same. The Marine Corps is entering an era of very expensive acquisitions (*e.g.,* Osprey, AAAV) at a time of tooth to tail imbalance. The U.S. government and the Marine Corps cannot continue to do "business as usual." We must become more efficient in using our limited resources. Even without these harsh realities, it just makes sense. The American taxpayer should expect no less than to receive the best product at the best price.

Strategic planning and performance measurement are inextricably linked. Performance measurement provides the feedback necessary to monitor achievement of the organization's strategic goals and objectives. Strategic planning provides guidance to the organization and determines those items that are important enough to measure and monitor. Measurement without strategic planning is simply wasting resources gathering data. Data is useful only after it goes through the transformation to information and then knowledge. Only then is it of use to leadership. Only by implementing performance measurement in a strategic planning and strategic management framework will leadership be able to make the decisions necessary to guide the organization to accomplish its vision and mission.

In this chapter, I attempt to create a performance measurement system to evaluate Marine Corps installations. This framework relies on information provided in the previous chapters. I have no visions that this will be a final answer to the problem. This process will require refinement and setting of specific targets. While not the final answer, I hope it will open the dialogue about what installations should be responsible for and possibly how to measure installation performance. The proposed criteria are an attempt at defining those items that should be the focus of any installation.

B.   STRATEGIC MANAGEMENT

In the Thompson and Strickland strategic management process, after developing a mission and vision, the next steps are to establish objectives, design a strategy for achieving those objectives, and then implement and monitor progress. The overall strategic direction for the Marine Corps comes from the NSS, QDR Report, President's Budget, Joint Vision 2020, the Department of the Navy and internal Marine Corps strategic documents. GPRA provides a framework of what Congress will expect— strategic planning and measurement of results. The Marine Corps has developed overall strategic statements, including values, mission, vision, and goals. However, higher headquarters has not set specific objectives and strategies for installations. The Corps needs a system to evaluate installation strategic management—a method to monitor progress towards the vision stated in *Installations 2020*.

To be successful, a performance measurement system for Marine Corps installations must exist within a strategic management framework that incorporates continuous review and strategic planning. The Corps' values, mission, and vision are excellent examples of Collins and Porras' core ideology, including both core purpose and core values, and envisioned future with both a BHAG and a vivid description. The Corps' values, mission and vision are enduring and known by those outside the organization, a testament to the communication of the ideas. These ideas form the culture of the Corps. Any measurement system must embrace the Corps' values, mission, vision, and goals. The system will achieve long-term success only if it supports the Marine Corps culture.

The measurement system must balance competing tensions. The proposed system must balance the autonomy of the local commander with overall Marine Corps requirements. The local commander must have the flexibility to respond to local needs and make business decisions based on local facts without outside interference. Installations will never embrace the measurement system if it is simply a list of things to do. It must provide a framework that assists the local commander focus his efforts while leading the installation. However, the local commander's decisions must balance with

overall Marine Corps goals and objectives. There will be certain things that a commander may be required to do, whether legal requirements or things that benefit the Marine Corps as a whole, but are of little or no benefit to the local installation. Stretch goals and objectives should be set by higher headquarters based on best in class benchmarking to ensure that installations provide the best services and products at the best prices. Above all else, installations must "deliver recognizable value for every dollar spent" (Danzig).

C.   ITEMS OF IMPORTANCE

In addition to the Corps' overall values, mission, vision, and goals, the performance measurement system must focus specifically on those items of importance to installation management. *Installations 2020* discusses five areas of primary interest: basing strategy; training, ranges and maneuver space; encroachment; base management; and quality of service.

These items primarily focus on three stakeholders (customers, society, and employees) and resource management. The Marine Corps' customer is the geographical combatant commander to whom the Corps provides forces. Because the Corps provides forces as MAGTFs, each installation's customer is the MAGTF[1]. The first three items (basing strategy; training, ranges and maneuver space; and encroachment) all directly deal with the customer, the MAGTF. Encroachment also concerns our relationship with federal, state, and local governments and the general populace. Quality of service deals with employees as stakeholders. Base management could be termed resource management or any other term to describe the internal business operations and processes of an installation. Additionally, this system must evaluate the 37 key installation processes shown in Figure 4.

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[1] The definition of one's customer is a matter of position. Installations providing services to other installations may think that their customer is the other installation. However, by supporting an installation, they are really supporting the MAGTF.

The customer must be involved in establishing the standards, as each customer may have different training requirements. The installation will then have to determine how to meet the needs of the customer in the most efficient manner. This approach is similar to the concept of "target costing" whereby the firm sets the costs of their products based on what the customer is willing to pay and works backwards from there to refine their processes to stay within target cost limits. Additionally, the installation must set many of their own measures to meet local needs. This allows local commanders to take different approaches to achieving the same outcomes.

As discussed in Chapter II, an effective performance measurement system must balance input, process, output, and outcome metrics. By doing so, the system should include leading, current, and lagging indicators, focusing on both the causes and effects. The measurement system must support the organization's strategy, link to stakeholder requirements, and provide feedback to management and those performing the work. The system must include both internal and external perspectives. The measures should also have meaning to the customer. Measures should be simple, relevant, well defined, timely, accessible, and continually reviewed. The measurement system must measure those goals and objectives specified during strategic planning. Above all else, the measurement system must embody the organization's values and culture.

The Marine Corps exists because it provides a unique fighting force. It is the only Service specifically tasked by Congress to operate as an integrated combined arms force providing a joint force in three dimensions—air, land, and sea. The Corps must continue to add strategic value to national security and the overall defense of the United States or else it will cease to exist. Installations must add value to everything they do. Installations should divest any task that does not add value to the Corps. Installations must focus efforts on core competencies, satisfying the customer, quality of service, and continuous process improvement. Only by becoming more efficient and delivering value for every dollar spent will the Marine Corps achieve its vision and be able respond to tomorrow's requirements.

D. BALDRIGE VERSUS OTHER SYSTEMS

1. The Appeal of Baldrige Criteria

The Baldrige Award criteria are appealing for several reasons. The criteria support GPRA by evaluating both strategic planning and measurement of results. The Baldrige criteria are widely accepted and understood, allowing for sharing of information and knowledge between governmental and private organizations. The Baldrige systems perspective incorporates strategic management and performance measurement—two items that must both be present. The Baldrige Award is not simply a quality award; it is an overall strategic management award, balancing competing stakeholder requirements and aligning them with the overall organizational strategy.

The Baldrige criteria is a form of a "balanced scorecard" in that it balances performance measures for competing perspectives. Baldrige evaluates Leadership, Strategic Planning, Customer and Market Focus, Information and Analysis, Human Resource Focus, Process Management and Business Results. Within Business Results are four outcome measures: Customer-Focused Results, Financial and Market Results, Human Resource Results, and Organizational Effectiveness Results. These are similar to Kaplan and Norton's Balanced Scorecard containing Customer, Financial, Learning and Growth, and Internal Business Process Perspectives. Both systems balance leading and lagging indicators in an attempt to ensure long-term success. The Baldrige criteria are intrinsically more appealing for our purposes because strategic planning and leadership are specifically evaluated.

The Baldrige criteria are also easily modified to fit the needs of different organizations. The Baldrige criteria exist for private corporations and educational and health institutions. The President's Quality Award criteria contain modified Baldrige Criteria for federal agencies. The APIC is simply the President's Quality award criteria modified to meet the Army's needs. It would seem logical that the same approach could be used to fit the needs of the Marine Corps.

The Baldrige framework is superior to ISO 9000 and Six Sigma because it is based on a total systems perspective. ISO 9000 and Six Sigma are quality programs that

could exist to support execution of an organization that strove to become a Baldrige Award winner. Baldrige is more appealing because of its focus on leadership, planning and the linkage between strategy, execution and results. Baldrige is similar to ISO 9000 in that it is designed for self-assessment, a process beneficial to the organization even if not applying for the Baldrige Award as it provides organizational focus and helps identify keys to organizational success.

The Baldrige criteria appear to take the best of several systems. They are focused on quality (Six Sigma, TQM), allow for self-assessment (ISO 9000), and have balanced measures (Kaplan and Norton's Balanced Scorecard). However, Baldrige goes one step further. They specifically measure leadership and strategic planning—two items that make the outcomes possible by shaping, directing, and pushing the organization as required to meet desired objectives.

2. Limitations of Baldrige

The Baldrige criteria, and associated variations, do not have concrete rating criteria. There are two sets of scoring guidelines, one each for approach and results categories. The guidelines give percentage bands (*e.g.,* 30 percent to 40 percent) with an associated verbal description (See Appendices B and C). This subjectivity violates some of the key principles of performance measurement discussed earlier. However, a performance measurement system for all Marine Corps installations must be general and flexible enough to be applied at each installation.

E. PROPOSED MEASUREMENT SYSTEM

1. Introduction

As discussed above, the Baldrige system is appealing as it incorporates strategic planning and leadership with the best attributes of the balanced scorecard. The Army Performance Improvement Criteria (APIC) is especially appealing as it is the application of the Baldrige criteria to a military organization. The system proposed below borrows heavily from the APIC. The proposed system includes seven categories with 18 items.

The first six categories evaluate the organization's approach or deployment method; how the organization focuses on the drivers of importance. The last category focuses on the results from that approach, the outcomes.

Well-defined, objective criteria for approaches to subjective processes are hard to establish. It is much easier to define objective, easy to measure criteria for outcomes, when they can be tied to an objective goal. This system violates one of the rules of an effective performance measurement system, that measures should be objectively measurable. For the first six categories, the scores are in the eyes of the evaluator.

2. Proposed Criteria

The criteria listed below include the Category and the associated Items. Categories are in bold and underlined. The Items are simply underlined. The titles and definitions of the categories and items are similar to the Baldrige or APIC categories and items.

1.0 **Leadership**. This Category evaluates how the installation's leadership guides the organization and addresses its public responsibilities.

1.1 Organizational Leadership. This Item evaluates how senior leadership guides the organization and monitors performance. Review should include an analysis of:

- How leadership sets, communicates, and deploys: organizational values, short- and long-term direction, and performance expectations. How leadership communicates these ideas to all employees.
- How leadership creates an environment for empowerment, innovation, organizational agility, and organizational and employee learning.
- How senior leadership reviews organizational performance and capabilities to assess success and progress relative to goals and objectives. Key performance measures used to monitor progress should be reviewed.
- How are performance measure reviews used for improvement and opportunities for innovation?

- How does leadership use organizational performance review findings and stakeholder feedback to improve leadership, strategic planning, and process management?

1.2 <u>Public Responsibility and Citizenship</u>. This Item evaluates how the organization addresses its public responsibilities, including stakeholder concerns and ethical business practices. This Item also evaluates how the installation garners and manages support of key communities. Review should include:

- How does the installation address the impact on society of its operations? What are they key processes, measures and goals for ensuring compliance with regulatory and legal requirements?
- How does the installation anticipate and prepare for public concerns about current and future operations?
- How does the installation ensure ethical business practices in all stakeholder transactions and interactions?
- How does the installation actively garner and maintain support from key communities? How are key communities identified?

2.0 **Strategic Planning**. This Category addresses how the organization establishes strategic direction and related objectives.

2.1 <u>Strategy Development Process</u>. This Item evaluates the organization's overall strategic planning process. The review should include:

- What is the installation's overall strategic planning process? Does it include: a SWOT analysis, including supplier, human resource, financial, and core competence evaluations; analysis of stakeholder needs and expectations; and identification of potential risks, including financial risks.
- Does the installation have a current strategic plan including a mission, vision, goals, strategies, measures, targets, commander's intent and assumptions?

- How are the installation's key objectives determined, including the timeline to accomplishment?

- The organization must show how the objectives balance stakeholder needs, how they are linked to the items identified during the environmental scan (SWOT, core competence, and risk analysis), and how resources support them.

2.2 <u>Strategy Deployment</u>. This Item examines the conversion of strategic objectives into action plans, including development, communication and deployment. Specifically, the review should include:

- How does the organization develop, communicate, and deploy action plans to achieve key strategic objectives?

- What are the organization's short- and long-term action plans? What is their impact on human resource and financial plans?

- What are the key performance measures for tracking progress relative to the action plans? How does the organization ensure these performance measures cover all stakeholders and align with the strategy?

- How does the organization's performance compare with key benchmarks? How does the organization monitor progress toward achieving benchmark goals?

3.0   **Customer Focus**. This Category examines how the installation determines customer requirements, expectations, and preferences and how the installation builds customer relationships.

3.1 <u>Customer Knowledge</u>. This Item deals with how the installation determines short- and long-term customer requirements, expectations, and preferences. Review should include an analysis of:

- How does the installation determine, prioritize and value key customer requirements?

- How does the installation involve the customer in decision-making?

- How does the installation determine key product and/or service features and their relative importance to customers for purposes of current and future planning?

- How does the installation collect and use information from customers?

3.2 <u>Customer Relationships and Satisfaction</u>. This item deals with how the installation builds relationships to satisfy the customer. This Item includes assessing how the organization determines customer satisfaction to be able to improve products and meets the customer's future needs. Review should include an analysis of:

- How does the organization build relationships to satisfy customers? What approach is used to ensure relationships stay current with a changing environment?

- How does the installation measure customer satisfaction?

- How does the installation handle customer complaints? Are complaints handled promptly and effectively? How does the information from complaints become knowledge to improve installation performance?

4.0 **Information and Analysis**. This Category evaluates the installation's information and performance measurement systems, including how the organization analyzes performance data and information.

4.1 <u>Measurement and Analysis of Organizational Performance</u>. This Item examines the installation's approach to performance measurement and analysis. Review should include an analysis of how the installation:

- gathers and integrates data to support daily operations and organizational decision-making.

- selects and aligns measures for tracking daily operations and overall installation performance.

- uses measures to improve performance.

- communicates and ensures effective use of the results of performance reviews to support decision-making at the lowest appropriate level.

- aligns results of organizational-level performance analysis with key measures, strategic objectives and action plans.

- ensures that ABC models continue to support decision-making and that data captured support the strategic plan.

4.2 <u>Information Management</u>. This Item evaluates the installation's quality and availability of necessary information to stakeholders. The review should include an evaluation of:

- How is data made available to stakeholders, as appropriate?

- How does the installation ensure data integrity, reliability, accuracy, security and confidentiality?

- How does the installation keep data and information current to support installation business needs?

- How does the installation ensure hardware and software reliability, functionality and currency with business needs and direction?

5.0   Human Resource Focus. This Category examines how the organization motivates and enables employees to develop and use their full potential in alignment with the installation's overall objectives.

5.1 <u>Work Systems</u>. This Item examines how the installation motivates and enables employees to achieve a high level of performance through the design, organization and management of jobs, compensation, career progression, recognition, and related work force practices. The review should assess:

- How does the installation promote employee cooperation, initiative, innovation, and flexibility to keep current with business needs?

- How does the installation motivate and empower employees? How does the installation assist employees to develop and use their full potential?

- How does the organization's employee performance management system support high performance and a customer and business focus? Do the compensation, reward and incentive practices reinforce these objectives?

5.2 <u>Employee Education, Training, and Development</u>. This Item assesses how the installation's education and training support the business objectives and increase employee knowledge, skills, and development. The review should assess:

- How does the installation identify employee training and growth requirements?

- How do employee education and training contribute to achievement of the installation's strategy?

- How does the installation design education and training to meet current and future needs of individuals and the organization?

- How does the installation address key training needs, including diversity training, safety, and new employee orientation?

- Does the organization have a mentor program to assist employees in the continued development?

5.3 <u>Employee Well-being and Satisfaction</u>. This Item evaluates the installation's approach to maintaining a work environment and employee climate that contributes to employee well-being, satisfaction and motivation. The review should assess:

- What is the organization's approach to improving workplace health, safety, and ergonomics, including employee participation?

- What key measures are used for work-environmental factors?

- How does the installation determine key factors affecting employee satisfaction and motivation?

- What assessment methods does the installation use to determine employee well-being, satisfaction, and motivation? How are the indicators used to improve the workplace?

- How does the installation use other indicators, such as retention, absenteeism, grievances, safety, and productivity to evaluate and improve employee satisfaction, well-being, and motivation?

- How are assessment findings and other indicators used related to key business results to identify priorities for improving the work environment?

6.0 **Process Management**. This Category evaluates key aspects of the installation's process management and encompasses all key processes and work units. This Category evaluates the installation's overall approach to the 37 key installation processes discussed in Chapter IV. This Category focuses on providing value—ensuring every dollar is spent in the most efficient and effective manner.

6.1 Product and Service Processes. This Item assesses how the installation manages key product and service design and delivery services. The review should assess:

- How does the installation incorporate changing customer requirements into product and service design and delivery systems and processes?

- The incorporation of technology, as appropriate, into products/services.

- How does the installation's process design address transfer of learning from other projects, cost control, productivity, quality control, and other efficiency factors?

- How does the installation ensure that production and delivery processes meet key performance requirements? How are performance measures used to control and improve processes?

- What are the key performance measures to monitor, control and improve processes?

- Have processes been benchmarked? What goals have been established to achievement benchmark goals?

6.2 Business Processes. This item evaluates the installation's approach to management of key business processes. Business processes are those strategy-driven, non-product, non-service activities that the installation considers critical to long-term growth and success. Examples of business processes include privatization and outsourcing, change leadership, benchmarking/best practices, and process reengineering. The review should assess:

- What are the installation's key business processes for growth and success?

- How does the installation determine key business process requirements? How does the installation incorporate customer and key partner input?

- What are the key performance measures used to control and improve these processes?

- How are the processes designed and performed to meet all requirements?

- How does the installation minimize the costs of meeting these requirements?

- How do the key business process requirements benefit the installation?

- How does the installation improve business processes to achieve better performance?

- How are business improvements shared with other organizations, both inside and outside the installation?

- Has the installation identified core competencies? Are non-core competency areas still required for the installation to be successful? Have programs or processes been divested where it makes good business sense?

6.3 <u>Support Processes</u>. This Item evaluates the installation's approach to management of key support processes. Support processes are activities that provide key day-to-day administrative and logistical infrastructure support. Support process evaluation involves assessing key logistical and infrastructure processes that support daily operation and employees in delivering products and services. The review should assess:

- What are the key processes for supporting daily operations in delivering products and services? This should include the 37 key installation processes.

- How does the installation determine key support process requirements? Is input from stakeholders incorporated?

- The key performance measures for control and improvement of these processes.

- How the installation designs and performs these processes to meet all requirements.

- How the installation minimizes overall costs.

- What is the process to improve support processes to achieve higher levels of performance?

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- Do the support process targets incorporate steps toward best in class processes?

7.0   Business Results. This category examines the installation's performance and improvement in the key areas of customer satisfaction, product and service performance, financial, mission accomplishment, human resource results, and operational performance. Included in this assessment is performance relative to other governmental agencies and best in class benchmarking. This section is outcomes based and as such is full of lagging indicators.

7.1 Customer-Focused Results. This Item evaluates customer satisfaction and product and service performance. The review should assess:

- What are the current and past levels of customer satisfaction? How does this level compare with the targeted level? Customer satisfaction is measured with a standardized questionnaire. Local commanders can add additional questions, but the questionnaire should have the same basic questions for all installations. The installation and operating forces will agree on additional questions to further enhance the relationship.

- What are the current and past levels of customer perceived value, products and service performance, and other aspects of importance to customers?

7.2 Financial Performance Results. This Item assesses how well the installation met all promulgated financial management measures as specified by Headquarters Marine Corps, Congress or the Office of Management and Budget. A focus should also be on cost-savings achieved through implementation of process improvements. Additionally, the review should focus on how the installation uses ABC/M data to achieve these cost savings. The evaluator should examine any other key measures the installation uses to measure financial success. The installation should exhibit how it uses information about processes, personnel and customer to align budgetary resources with strategy to ensure program funding aligns with, and supports, the installation's strategy. Note that financial aspects are included in other sections.

7.3 Human Resource Results. This Item evaluates employee well-being, satisfaction, development, and performance. The review should assess:

- What are the current and past levels of employee well-being, satisfaction, and development, as measured by a standardized survey? What other measures does the installation use to determine employee satisfaction? There should be one standardized employee satisfaction survey that can be added to as needed by the local commander.

- What are the current and past levels of employee retention?

- What are the current levels and trends for accidents and safety?

- What are the current levels and trends for civilian grievances?

- Has the installation achieved all retention targets for the current fiscal year?

7.4 <u>Organizational Efficiency and Effectiveness Results</u>. This Item assesses operational results as well as public responsibility and citizenship. These include key performance measures that gauge progress in meeting goals such as those described in Items 1.1, 2.2, 6.1, and 6.2 and those key performance measures which stand alone, but are not reported in Items 7.1, 7.2, or 7.3. The review should evaluate:

- What are the current levels and trends in key measures of operational performance of design, production, delivery, business, and support processes? Evaluation should include productivity, cycle time, cost reduction, and other measures of efficiency and effectiveness.

- What are the results for key measures of organizational strategy accomplishment?

- What are the results for key measures of regulatory and legal compliance and citizenship?

- What are the key process improvements and results conducted over the past 12 months?

- What savings have been achieved by outsourcing or divesting non-value adding functions?

3. Scoring

Figure 3 provided scoring systems for three comparative sets of criteria, the Baldrige Award, President's Quality Award and Army Performance Improvement Criteria (APIC). The framework proposed here uses a similar scoring system. All Category headings are identical to the three systems discussed earlier. However, there are some significant differences in the weights given to each of the Categories. Figure 5 compares Category scoring weights for Baldrige, President's Quality, APIC, and the proposed system for the USMC.

	Baldrige	President's	APIC	USMC Proposal
Leadership	120	125	125	80
Strategic Planning	85	95	95	75
Customer and Market Focus	85	95	95	85
Information and Analysis	90	95	95	80
Human Resource Focus	85	95	95	80
Process Management	85	95	95	100
Business Results	450	400	400	500

Figure 5: Scoring System Comparison

The reader will note some significant differences between the proposed system and the three systems discussed earlier. The proposed system places less weight than Baldrige or its variations on all Categories other than Process Management and Business Results. An organization could appear to have excellent approaches, and receive high marks from evaluators, but still fail to produce outstanding results. More of a balance is needed between approaches and results. The American public does not care that we had the best approach to training if we fail miserably in the next war. For this reason, half of the points (500 out of 1,000) are focused on Business Results.

The second area with more weight is Process Management. The Marine Corps must strive to become more efficient and return value for every dollar spent. Sound processes lead to outstanding results. An organization can have leadership, strategic planning, and stakeholder focus, but fail if the processes required to deliver goods and services are not efficient. By meeting the needs of the customer and maintaining a high quality of life in an efficient manner, an installation should be successful and the Corps will have more funding to support warfighting requirements.

To allow greater emphasis on Business Results and Process Management, points were required from other categories. The Leadership Category received the largest point drop. This is because of the culture of the Marine Corps. Leadership as it is at the forefront of everything the Marine Corps does, and therefore I feel little weight is needed for this category. While the Customer Focus category is lower in the proposed system, it took less of a cut relative to other areas. This is because everything an installation does must focus on the customer, the MAGTF. The other Categories took relative cuts.

To summarize the rationale for the proposed scoring system, Business Results, Process Management and Customer Focus receive the most weight. Results show what has actually occurred and validate whether the approaches employed are sound. Process Management focuses on providing value for every dollar spent. Installations must always have a customer focus, as support of the MAGTF is reason for installation existence. The remaining points were then shared across the remaining categories as the author feels these categories contribute equally to the overall success of an installation.

Figure 6 provides the proposed scoring system, to include weights for Items. Appendix B contains scoring guidelines for approach/deployment (1.0 through 6.0) categories and Appendix C contains scoring guidelines for the Business Results Category (7.0).

4. Justification of Proposed System

Evaluation of any management system must begin by evaluating the organization's leadership. Leadership starts the process, provides guidance, sets direction and expectations, signals intent, monitors execution, and directs necessary changes.

Strategic planning provides an overall framework to guide the organization, including specifying goals and objectives. A customer focus ensures that the organization focuses on those who value its output. In this case, the operating forces are the customers and the installation must focus on satisfying the MAGTF. The customer focus must be part of strategic planning to ensure long-term customer satisfaction.

1.0 Leadership	80
1.1 Organizational Leadership	55
1.2 Public Responsibility and Citizenship	25
2.0 Strategic Planning	75
2.1 Strategy Development Process	40
2.2 Strategy Deployment	35
3.0 Customer Focus	85
3.1 Customer and Market Knowledge	40
3.2 Customer Relationships and Satisfaction	45
4.0 Information and Analysis	80
4.1 Measurement and Analysis of Organizational Performance	45
4.2 Information Management	35
5.0 Human Resource Focus	80
5.1 Work Systems	25
5.2 Employee Education, Training, and Development	25
5.3 Employee Well-Being and Satisfaction	30
6.0 Process Management	100
6.1 Product and Service Processes	30
6.2 Business Processes	35
6.3 Support Processes	35
7.0 Business Results	500
7.1 Customer-Focused Results	200
7.2 Financial Performance Results	50
7.3 Human Resource Results	90
7.4 Organizational Effectiveness and Efficiency Results	160

Figure 6: Proposed Scoring System

Information and analysis provides the information and feedback necessary to make business decisions. This category runs across all of the other categories. The

information must be transformed into knowledge to be useful by management to adjust strategic plans, change processes, and meet customer expectations. The needs of the customer are met by the actions of personnel (human resources) and through efficient processes. All of these approaches mean nothing if they do not lead to results that meet the goals and objectives of the organization. The results must show that every dollar spent results in value. The taxpayer expects no less and neither should the Marine Corps. This system balances leading and lagging indicators. A balance between ensuring future success and measurements to ensure processes are achieving desired results. Information and analysis is the bridge between these two types of indicators, but is only useful if the data gathered in the systems becomes information and knowledge to be used to make decisions.

The proposed system provides the local commander with flexibility and autonomy. It allows the installation to determine the most important measures for continued success, within a framework of requirements dictated by higher headquarters. This system guides the commander by emphasizing areas of importance (*i.e.*, customers, strategic planning, processes, etc.). The proposed system focuses on identifying those items that result in long-term business success for the organization. The scoring weights emphasize those items identified in Marine Corps strategic documents as being of importance (*i.e.,* training areas, better business practices, quality of service, etc). The system incorporates stakeholder input into establishment of performance measures and into process design and revision. If the system is followed, stakeholders should be asked to place a value on certain items to allow the installation to prioritize actions and business decisions.

This system consists of process, output, and outcome measures. It evaluates how the installation develops strategy and how performance measures link to that strategy. It has a balance of leading (approach measures) and lagging metrics (results). The organization's approaches, if sound, should result in outstanding results. The result metrics must be used to evaluate and refine the approach categories. This system evaluates if the organization responds to environmental changes. It links customers,

employees, strategic planning, and processes, incorporating a family of measures. It evaluates an installation's approach to performance measurement and strategic management.

Finally, the system is very similar to what the three installations I visited had already devised. It evaluates three areas that the installations had in common, customer satisfaction, quality of life/employee morale, and organizational efficiency. This system evaluates both processes and outcomes for those three areas to ensure that the installation is currently meeting the requirements and will continue to do so in the future.

The system is definitely not without shortcomings. As previously mentioned, this system violates certain rules of performance measurement. Specifically, this system does not include well-defined, objective measures. Rather, it leaves definition of those measures up to the local commander. This proposal does not include customer and employee satisfaction surveys—those require development. Installations have already begun developing these surveys, but a standardized one is needed. Benchmarking is needed for these surveys (and other processes) to allow targets to be set. One cannot immediately establish a goal if data has never been collected. Installations are in the process of collecting that data, but it will take time to evaluate the data and refine the questionnaires before the data can truly become knowledge. The Marine Corps is on the right track with first benchmarking against other governmental agencies and then progressing to benchmarking against best in class processes.

F.   PROPOSED EVALUATION PROCESS

The suggested set of criteria is useful for both self-evaluation and evaluation by an outside, independent organization. All installations should use this or a similar process to evaluate themselves. This system helps installations focus on keys to business success. If the Marine Corps as a whole uses this system to evaluate installation strategic management, it should be set up in the same manner as the Baldrige Award. First, the installation performs a self-evaluation. Evaluators then review the submission and visit the installation to verify and clarify information.

Before evaluations by anyone other than the installations themselves, the Marine Corps should establish a training team to implement these criteria at each installation. Training should include:

- Strategic Planning. Team would assist installations in a strategic planning process, to include mission, vision, values, goals, and core competencies.

- Establishment of performance measures following the guidelines in Chapter II. Team would also assist installations in linking performance measures to strategy.

- Using ABC information to make business decisions.

- Establishing targets for key processes. Team would assist installation in establishing timelines to achieve benchmarks as long-term goals.

- Assistance in modifying customer and human resource surveys to meet needs of the installation.

At a minimum, installations should begin using these criteria immediately as a self-assessment tool. An evaluation using the proposed questions and scoring guidelines would assist the local commander in determining strengths and weaknesses and an organizational focus. The proposed system does not provide answers to any of the questions. Answers to the questions offer an opportunity for organizational learning and should guide the organization's approaches to strategic planning and stakeholders. Honest answers and scoring provide a snapshot of how the installation is performing relative to the proposed criteria. The scores will then show the installation where to focus. The focus should be on those areas with the lowest scores and specifically on those questions with the lowest scores. However, in order for the self-assessment to be successful, the local commander must fully support the system. Without enthusiastic support from senior leadership, the system will never be fully embraced by personnel and potential for learning and organizational growth will be lost.

VI. CONCLUSIONS AND RECOMMENDATION

This final chapter will address the primary and secondary research question and provide recommendations for implementation and further research in this area.

A.   PRIMARY RESEARCH QUESTION

The answer to the primary research question, "What criteria should be used to evaluate efficiency and effectiveness of management of United States Marine Corps installations?" is discussed in the preceding chapter. The chapter recommends modified Baldrige Award criteria to evaluate leadership, strategic planning, and efficiency and effectiveness of management at Marine Corps installations. The installation is effective if it meets the needs of its primary stakeholders, customers, employees, and community, in that order. The installation is efficient if its processes and resource management practices result in recognizable value for every dollar spent.

B.   SECONDARY RESEARCH QUESTIONS

Question 1: In the absence of competition, how are effectiveness and efficiency measured?

Effectiveness measures how well the organization performs in achieving its mission. In other words, did it do the right thing? Efficiency examines the organization's use of resources to do the right thing. The presence of competition should have no bearing on measurements of effectiveness or efficiency. An organization is effective if its programs attain the desired results. The organization is efficient if its processes are productive without producing unnecessary waste.

Question 2: What non-financial as well as financial criteria should be used to measure strategic management?

Measures should focus on product and service quality, financial performance, customer satisfaction, process and operational performance, and employee satisfaction as well as an evaluation of the organization's strategic planning and information feedback

processes. Measures must be incorporated into a strategic plan that allows for continual improvement. Feedback is necessary to provide leadership with information necessary to make timely business decisions.

Question 3: How is successful management of a Marine Corps installation defined?

The keys to a successful Marine Corps installation come from *Installations 2020*, as reviewed in Chapter IV. A successful Marine Corps installation must focus on supporting the MAGTF (customer), community relationships, strategic planning, process management and quality of service. The Marine Corps must focus on effectively meeting the needs of stakeholders, including higher headquarters' requirements, in the most efficient manner. Installations must provide a service that contributes to the overall value added by the Marine Corps to national defense.

Question 4: What should base commanders be required to accomplish and what should they be accountable for?

Installation commanders should be accountable for providing all necessary support to the MAGTF, quality of life services for the installation and MAGTF Marines, sailors, and civilians, and efficient process management. Installation commanders should develop plans to ensure the continued effectiveness and efficiency of providing the 37 key installation processes. These processes should be continuously reviewed and improved to ensure that there is value received for every dollar spent.

Question 5: How should the strategy of a non-profit organization be measured?

In much the same way as the strategy of a for profit organization is measured. The most significant differences between non-profit and for profit organizations are the manner in which they receive their funds and their reasons for existence. Non-profit organizations work within a budget generally decided outside of the organization. A non-profit organization exists to provide some good or service not readily provided by markets, not to create a profit for shareholders. However, it bears the same responsibility as a profit-oriented organization to utilize the resources entrusted to it as efficiently and effectively as possible in fulfilling its mission.

B.   RECOMMENDATIONS

The primary recommendations from this study are contained in Chapter V. The Marine Corps needs to implement a system to evaluate installation strategic management. The method proposed in the previous chapter is one way in which to accomplish this. To support this system the Marine Corps needs to develop benchmarks for processes and results. The recommended system does present some challenges. It does not provide well-defined, easy to measure metrics. The evaluation process is very subjective and requires a highly skilled evaluator to understand the linkages between different Categories, Items, and specific questions.   However, the system does provide the local commander necessary flexibility and autonomy to best lead his base.

The Marine Corps must define objectives for installation strategic management. Strategies for achieving those objectives, including time-lines to completion and interim targets, must be defined. These actions are needed to provide overall strategic guidance to installations. Without this guidance, installations will continue to be frustrated by attempting to develop strategic plans that can only link to vision documents without knowing if they are proceeding in the most effective manner. Additionally, the Marine Corps must define key terminology to avoid confusion.

To date, the Marine Corps has enjoyed great success in identifying potential areas for cost savings with its ABC/M implementation. These efforts should continue, as they will support any strategic management system. The data collected from the ABC systems needs to become information and knowledge before it can be of use to make business decisions. Only within a strategic management framework will the ABC/M efforts realize their full potential.

The Marine Corps Installation Reform Division (LR) exists within the Deputy Commandant for Installations and Logistics directorate at Headquarters Marine Corps. The LR Division is also known as the Center for Business Excellence (CBE). This new title is more appropriate for future improvements that the Marine Corps must undergo. However, by having this office within Installation and Logistics, CBE is constrained by living within a stovepipe. The CBE should work directly for the Assistant Commandant

of the Marine Corps. Business reform should not be limited to installation management, but should be a part of all activities within the Marine Corps. Only then will we get to a point where all Marines focus on the efficiencies required to sustain the Corps during the next century.

C.   TOPICS FOR FUTURE RESEARCH

- Research is needed to see how Six Sigma could be implemented to improve product and service processes at installations. The application of statistical analysis to service functions is currently receiving much study. The Marine Corps may be able to benefit from a program such as Six Sigma to optimize installation service functions.
- Benchmarks are needed for processes and results. All of the 37 key processes need best-in-class benchmarks.
- Areas of the Marine Corps not defined as core competencies should be studied to see if there are more efficient or effective ways of providing the same services.

APPENDIX A. COMMONLY USED TERMS

Many management terms are often used interchangeably or different words are used to mean similar things. In an attempt to reduce some confusion, this appendix contains definitions of commonly used management terms as used in this thesis.

efficiency: how well an entity uses resources to actually produce some output or achievement

effectiveness: the extent to which an organization, program or activity achieves its goals; assessed by comparing actual achievements of an entity with stated goals

mission: an organization's mission is a definition of its current business activities, including boundaries of current activities; the mission conveys who the organization is, what the organization does, and where the organization currently is (Thompson & Strickland)

nonprofit: as used in this thesis, the word refers to not-for-profit organizations, because a firm that fails is literally a nonprofit organization

objectives: specific, quantifiable performance targets that have a deadline for achievement; how much of what kind of performance by when (Thompson & Strickland)

outcome measure: an assessment of the results of a program activity compared to its intended purpose (GPRA)

output measure: the tabulation, calculation, or recording of activity or effort and can be expressed in a quantitative or qualitative manner (GPRA)

performance goal: a target level of performance expressed as a tangible, measurable objective, against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate (GPRA)

performance indicator: a particular value or characteristic used to measure output or outcome

program activity: a specific activity or project as listed in the program and financing schedules of the annual budget of the United States Government (GPRA)

program evaluation: an assessment, through objective measurement and systematic analysis, of the manner and extent to which Federal programs achieve intended objectives (GPRA)

stakeholders: those groups and individuals who can affect and are affected by the achievement of an organization's purpose (Freeman)

strategy: a game plan for pleasing customers, conducting operations, achieving organizational objectives, and building a sustainable competitive advantage (Thompson & Strickland)

APPENDIX B. APPROACH/DEPLOYMENT SCORING GUIDELINES

SCORE	Approach - Deployment
0%	• no systematic approach evident; information is anecdotal.
10% to 20%	• beginning of a systematic approach to the basic purposes of the Item, is evident. • major gaps exist in deployment that would inhibit progress in achieving the basic purposes of the Item. • early stages of a transition from reacting to problems to a general improvement orientation are evident.
30% to 40%	• an effective, systematic approach, responsive to the basic purposes of the Item, is evident. • approach is deployed, although some areas or work units are in early stages of deployment. • beginning of a systematic approach to evaluation and improvement of basic Item processes is evident.
50% to 60%	• an effective, systematic approach, responsive to the overall purposes of the Item, is evident. • approach is well-deployed, although deployment may vary in some areas or work units. • a fact-based, systematic evaluation and improvement process is in place for improving the efficiency and effectiveness of basic Item processes. • approach is aligned with basic organizational needs identified in the other Criteria Categories.
70% to 80%	• an effective, systematic approach, responsive to the multiple requirements of the Item, is evident. • approach is well-deployed, with no significant gaps. • a fact-based, systematic evaluation and improvement process and organizational learning/sharing are key management tools; clear evidence of refinement and improved integration as a result of organizational-level analysis and sharing. • approach is well-integrated with organizational needs identified in the other Criteria Categories.
90% to 100%	• an effective, systematic approach, fully responsive to all the requirements of the Item, is evident. • approach is fully deployed without significant weaknesses or gaps in any areas or work units • a very strong, fact-based, systematic evaluation and improvement process and extensive organizational learning/sharing are key management tools; strong refinement and integration, backed by excellent organizational-level analysis and sharing, are evident. • approach is fully integrated with organizational needs identified in the other Criteria Categories.

Note: Bands like 10% to 20% are a scoring range - Individual examiners normally assign scores using multiples of 10 - and averaging (example-20%, 30% and 30% results in a 26.6% for the item score.

Source: 2001 APIC

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APPENDIX C. RESULTS SCORING GUIDELINES

SCORE	Results
0%	▪ no results or poor results in areas reported
10% to 20%	▪ some improvements and/or early good performance levels in a few areas. ▪ results not reported for many to most areas of importance to the organization's key business requirements.
30% to 40%	▪ improvements and/or good performance levels in many areas of importance to the organization's key business requirements. ▪ early stages of developing trends and obtaining comparative information are evident. ▪ results reported for many to most areas of importance to the organization's key business requirements.
50% to 60%	▪ improvement trends and/or good performance levels reported for most areas of importance to the organization's key business requirements. ▪ no pattern of adverse trends and no poor performance levels in areas of importance to the organization's key business requirements. ▪ some trends and/or current performance levels — evaluated against relevant comparisons and/or benchmarks — show areas of strength and/or good to very good relative performance levels. ▪ business results address most key customer, market, and process requirements.
70% to 80%	▪ current performance is good to excellent in areas of importance to the organization's key business requirements. ▪ most improvement trends and/or current performance levels are sustained. ▪ many to most trends and/or current performance levels — evaluated against relevant comparisons and/or benchmarks — show areas of leadership and very good relative performance levels. ▪ business results address most key customer, market, process, and action plan requirements.
90% to 100%	▪ current performance is excellent in most areas of importance to the organization's key business requirements. ▪ excellent improvement trends and/or sustained excellent performance levels in most areas. ▪ evidence of industry and benchmark leadership demonstrated in many areas. ▪ business results fully address key customer, market, process, and action plan requirements.

Source: 2001 APIC

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